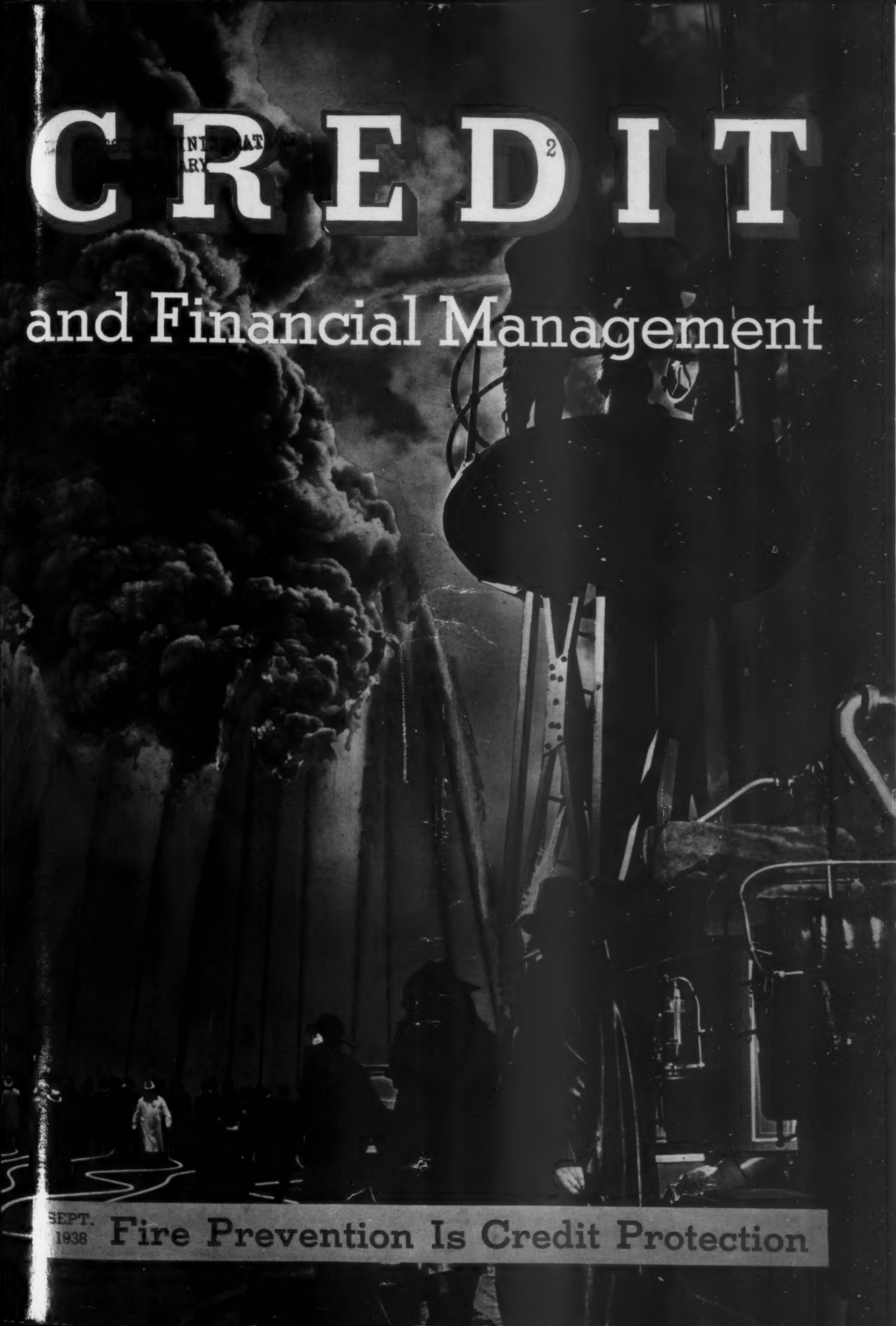
CREDIT

and Financial Management



SEPT. 1938

Fire Prevention Is Credit Protection

COMMERCIAL UNION GROUP

ANCHORA SALUTIS

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NEW YORK CHICAGO ATLANTA SAN FRANCISCO

(STOCK COMPANIES)

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CREDIT

and Financial Management

Contents for September, 1938

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Manufacturers' sales, collections and accounts receivable
Wholesalers' sales, collections, accounts receivable and inventories

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Shortening credit terms

For a number of recent years there has been a growing trend in the business world towards the shortening of credit terms. It is understandable that a depression period can give an impetus to such a development because of an all-round desire for more than average liquidity. In some lines of industry, unfortunately, terms have drifted towards a strictly cash basis.

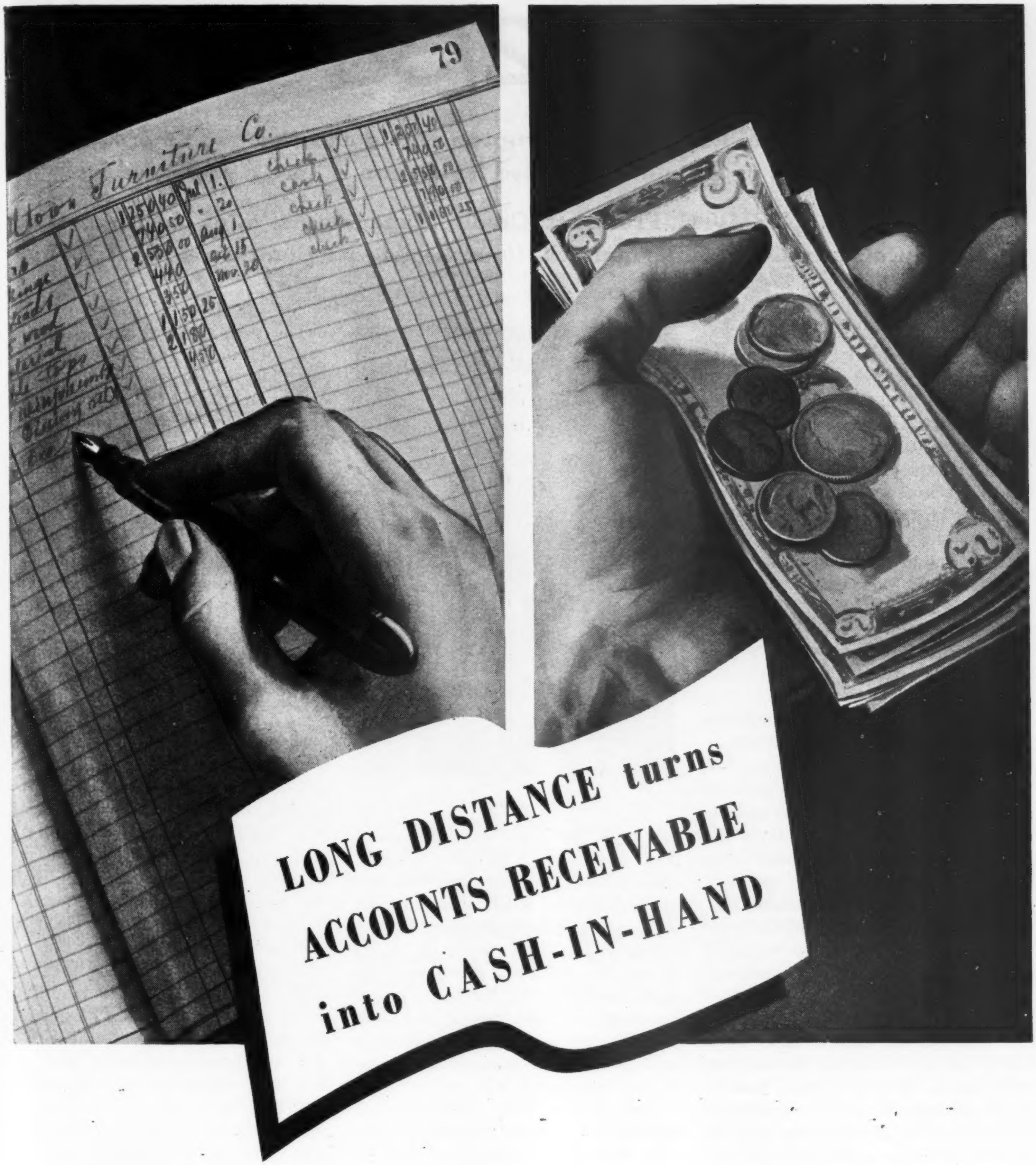
The proper use of credit in merchandising does more than merely help in the expansion of business and in the development of the country. It actually builds character. Every performance of obligations under credit terms is a mark of integrity and constitutes evidence of the willingness and ability of men to meet their obligations. It is, as we have frequently said, a true mark of civilization. As long as credit is soundly utilized, its healthy expansion will continue to contribute not only to better business but to a better standard of living.

Occasionally we receive reports in this office of amazingly unsound credit policies. In illustration, let me cite an instance in an important field that has come to my desk in the past few weeks. One large company, anxious to move its merchandise, has actually suggested to its distributors that they accept the merchandise and defer payment until they are paid by their own customers.

Here then, is a credit practice which is unsound for many reasons. First, there is no certainty as to terms. Second, there is no control over payments. Third, there is an additional personal factor entering into the credit problem that makes the whole transaction questionable. Fourth, the firm's cash and banking facilities, it would seem, must be extraordinary to handle this type of program.

We are happy to report that so far as we know this practice has not become widespread. It is reasonably sure that if such practices are continued, however, the effect on the particular firm and, to some degree, on the industry is bound to be disturbing.

Executive Manager, N.A.C.M.



Getting money in without losing customer good will is the every-day dilemma of credit executives. So, more and more, they turn to Long Distance telephone service to do the job.

For Long Distance brings clear-cut mutual understandings and gives your personality a chance. It permits a tactful, persuasive handling of the most ticklish situation.

To make inquiries into the financial status of distant clients . . . to discuss terms of payment . . . to lessen discount troubles, Long Distance is the *quick, clear, direct* way.

Credit men say that a single Long Distance call often secures a settlement, a payment on account, or a definite promise, and helps to remove friction. And it's cheaper than ever now.

9/22/38

On that day the Chandler Bankruptcy Act is effective. The credit man's interest in this newly-enacted legislation is herein presented by

GEORGE A. VAN SMITH, President, Credit Managers Ass'n. of Northern and Central California, and Chairman, National Legislative Committee, N. A. C. M.

Moulin

What does the Chandler Act, effective September 22, mean to the credit man!

Considered from the credit man's personal standpoint, it certainly means a rich opportunity to make himself a better credit man; to improve the status of his profession; to move toward that goal of higher recognition we believe the credit man deserves.

The legislative work on the act is finished. It is now the responsibility of those affected by it to become familiar with its provisions so that it may operate effectively. This is particularly the responsibility of the credit executive.

In the shadow of the "Preliminary Survey" of the act by Mr. W. Randolph Montgomery, published in "Credit Executive" for July, and of the amazingly complete and understandable comparative analysis prepared for the National Association of Credit Men by Mr. Jacob I. Weinstein, and published under the title "Bankruptcy Act of 1938" any attempt at analysis or detailed explanation of the provisions of the act by me would be sheer presumption.

In that connection, however, it seems not improper to express here, as a matter of conviction, that the working credit man who fails to avail himself of Mr. Weinstein's work and make its systematic study a part of his regular routine, will be guilty of neglecting his own and his concern's best interests.

Obviously credit men are not employed to practice law—nor is a knowledge of law ordinarily prerequisite to such employment. But I have observed some expensive and exceedingly embarrassing misadventures of creditor concerns arising out of ignorance of the most elementary provisions of bankruptcy law.

We all more or less loosely subscribe to the belief that a little knowledge is dangerous and give that idea special point as regards law. Be that as it may, I have never met any one who really knew too much about his job, nor one who seriously impaired his usefulness by intelligent study of all its phases. He would be a poorly-equipped credit manager who had no practical knowledge of warehousing and bulk sales laws nor some slight acquaintance with the cardinal features of the negotiable instruments act.

The clearest, most adaptable compendium of a state's banking laws I ever read was written by a layman bank officer. It comprehended some 500 transactions, most of them ordinary in the sense of their frequency, all of them, because they involved the money or property of others, fraught with liability. The law governing each was stated in a brief layman-worded paragraph.

That banker was not qualified to practice law, nor did he esteem himself in any sense a lawyer, yet he did a job, warmly commended by competent members of the Bar. He had learned, not academically but practically, by searching for the whys and why nots of the matters passing through his hands. He acquired a fine working knowledge of what not to do, and a quickened appreciation of the need for instant professional legal counsel, when he found something wrong or irregular.

The comparative analysis in Mr. Weinstein's "Bankruptcy Act of 1938" is so plain and simple in statement of the provisions of the new law and their variance, if any, from the old, as to present no difficulty of reading or understanding by the layman.

For instance, the analysis presents clearly the Chandler Act provisions touching partnerships and partners in bankruptcy. This is a subject about which, generally speaking, neither attorneys nor courts seemed to be clear or in agreement under the partnership provisions of the old law.

Except for the fact that Chapter X, the corporate reorganization section, represents a definite separation from and consequent unscrambling of the "Arrangements" provisions, it has, as I see it, slight immediate interest for the average credit man. Possibly 95 per cent or more of the credit men in this Association may never have any first hand experience with it. Those who do become involved, as creditor representatives in corporate reorganizations under the Act, will find attorneys in adequate numbers on all firing lines. Their positions will be responsive rather than responsible.

As a matter of opinion, and in no wise critical of either the merits or desirability of the corporate reorganization section, I believe the Chandler Act would meet adequately the needs of the commercial credit man, had Chapter X not been incorporated.

Chapter XII "Real Property Arrangements by Persons Other Than

Corporations" and Chapter XIII "Wage Earners Plans" present sane treatments for acute current problems. Consonant with that common sense characteristic of Chandler Act framing throughout, they are distinct and apart. They will scarcely play important or frequent parts in the experience of wholesalers' or manufacturers' credit departments.

Therefore what follows refers generally to the act as related to straight bankruptcy and arrangements.

The Bankruptcy Act of 1938, in a single comprehensive measure, in fact a coordinated code, replaces a forty year old and frequently-amended patch work —the Bankruptcy Act of 1898.

Excepting only as to its final passage in the closing hours of the Congress, there has been nothing hurried about this legislation. For many years, rather careful observation of legislation and legislative method has been my habit. I can recall no other single act being put to final passage only after the nation's best qualified experts had devoted six years of painstaking study and work to its making. And certainly, I can recall no act directly affecting business, in the preparation of which, the rights of every one were so carefully weighed. Hearings were held over a period of two years.

The part played by this Association in the preparation and passage of the Act was one in which every thinking member must find great pride.

The Bankruptcy Act of 1938 is designed to wipe out the ambiguities, contradictions and uncertainties developed by tinkering with the old law. Some of these temporarily expedient changes provided convenient avenues for the accomplishment of fraud, others for the sweating of estates.

The new law saves all of the old law worth saving (so far as the credit man is concerned) and saves it in terms consonant with the principles of bankruptcy law settled by judicial decisions under the old act. It is not a departure from those principles but a fitting of them to conditions as of today.

Consequently even those members of the legal profession who, for whatever reasons, were willing to let bad enough alone, cannot convincingly complain that the act has set us adrift on uncharted seas.

It makes for economies directly and for the economies which are incident to expedition. For instance, under the new act, referees grant, deny or revoke discharges—a great improvement over the cumbersome, slow, and expensive method of reporting to the court after hearing, as provided by the old law. Another common-sense provision looking to economy of time and money is the one giving the court summary jurisdiction in trustee's proceedings to recover dividends paid on reconsidered or rejected claims. The conditions antecedent to discharges are made clear—discharges expedited and made certain.

Of profound significance to the credit men are the provisions giving creditors committees real status in court and with trustees.

Not a technical analysis, this article by the chairman of the N.A.C.M.'s national legislative committee presents a pertinent point of view concerning the role which the new bankruptcy act will play in credit management. More detailed analyses will be carried in later issues of this magazine, in the Association's "Members Bulletin," and the forthcoming 1939 edition of "Credit Manual of Commercial Laws."

Provisions of the new arrangement section, clear up situations like the following:

In an arrangement matter where the debtor was a corporation, approximately 14 per cent in amount of all claims filed by the debtor, including one half in both number and amount of those given preference, were not proved. When the debtor was ready to pay the claims given preference, he asked the court for an order of instructions, as to those filed but not proved. Some of the interested parties, who had proved, were of the opinion, that in view of the declaratory provisions of 77B and since the arrangement was predicated on the assumption and promise of the debtor that it could and would pay all its debts in full, the court would by ordering further notice or some other order relieve the neglectful creditors from penalty for their laches. The court did not take that view. It held that creditors had had their day in court but offered no comfort, other than to say that it would listen to any "legal reasons" for reconsideration of his stand.

Under the new act, such claims filed and not objected to will be paid.

Another significant feature of the Act, so far as creditors are concerned, are the various provisions providing for more adequate and prompt information in the proceeding. Among these provisions are those requiring that the schedule of the bankrupt shall be filed with the voluntary petition, requirement of the examination of the bankrupt at the first meeting of creditors, at hearings on objections to discharge and at other times. The new requirement of a statement of affairs, patterned after the English Law, may be expected to produce valuable information regarding the background and exact condition of the bankrupt which cannot fail to be valuable to creditors. This important objective of the new law, designed to bring into the open complete information regarding the condition of the bankrupt and his business relationships, taken together with the improvement and amplification of the provisions of the old law designed to prevent fraud and misrepresentation, constitute one of the most important and valuable benefits which the law confers upon creditors.

These few examples of some of the many beneficial features of the Act are intended merely to illustrate the tremendous importance of the legislation and suggest the need for its careful study by credit executives. In this connection, it will be of interest to know that the Association is developing an educational program in connection with the act which will include not only detailed discussions of various provisions of the act which are of particular interest to credit executives, but study groups and other means of personally considering the law in local association meetings.

But there are meanings to credit men and to all business, not to be found in the text of the Chandler Act. There is the congratulatory and significant suggestion that enactment of the Chandler Bill seems to mean that business, unselfishly united for the general good, can claim the attention and cooperation of the national legislature.

And to every business man there should be heart warming, assuring meaning in the fact that we have in the Congress men willing to enlist themselves, as did Representative Chandler and Senator O'Mahoney. Mr. Chandler made bankruptcy revision his major Congressional effort for years. He successfully battled against piece-meal tinkering that would have left confusion worse confounded.

Senator O'Mahoney, by his devotion, indefatigable industry, and skill brought the bill to final passage in the Senate—saved its loss by sidetracking.

That is unselfish statesmanship. There is mighty little "back home" vote-making in the espousal of any measure like the Chandler Act, designed to help business, although the benefits of the act to those "back home" will ultimately over-shadow many more publicized pieces of legislation.

Field warehousing uses

In an address to the Food Products Division of the National Association of Credit Men's Credit Congress in San Francisco in June, A. T. Gibson, President of Lawrence Warehouse Company, explained how large companies can make use of bank funds, through field warehousing, in the treatment of customers' credits, "The Bankers Magazine" reports.

"Although the primary use of field warehousing is to secure added bank credit for firms in need of extra working capital," said Mr. Gibson, "this financing method is so economical and versatile that many AAA1 organizations are either recommending or employing it for their customers."

It was pointed out that producers and manufacturers frequently hamper themselves as well as their customers by carrying large customers' accounts whereas a substantial part of this financing could be handled more practically by established banks.

There are three applications of field warehousing open to the average company, Mr. Gibson stated. They differ only in detail of operation and with respect to transfer of title to commodities which are warehoused. Under any of the arrangements, commodities (either raw or manufactured) are field warehoused on the premises of distributors purchasing the goods. The stocks are merely segregated from those which distributors own outright.

The objectives in using field warehousing are to strengthen or eliminate credits on the part of suppliers and to help purchasers buy stocks in greater quantities than their normal capital and credit would allow.

The first field warehousing arrangement which Mr. Gibson referred to is used to a considerable extent in almost every industry. Under this method, the customer arranges with his bank to receive shipments from a manufacturer or producer under Order Bills of Lading with Sight Drafts attached. The consignee's bank pays for the goods upon arrival and accepts field warehouse receipts as security for the advances made. All arrangements are made by the customer. Field warehousing is employed for the bank's protection. The producer or manufacturer who ships the goods receives cash for the whole order. The customer, in turn, pays the bank according to prearranged terms. Usually payment is made in proportion to the amount of commodities which are released from a field warehouse to fill orders.

Another operation is one in which the supplier arranges with his bank so that he may consign goods to himself, in care of a field warehouse set up on a distributor's premises. Title to the inventory remains with the supplier and his bank, and goods are released to the distributor only in accordance with the supplier's instructions. Payment for merchandise is made either to the supplier direct or through the warehouse company and the bank.

The advantages of this arrangement are that it permits a supplier to make maximum deliveries and to arrange shipments at most convenient times. It also insures the supplier complete protection against loss due to failure of a customer or due to claims of other creditors against a customer's assets.

The third field warehousing application described by Mr. Gibson follows the terms of the first. That is, field warehousing is established by the customer through his own bank. However, the supplier agrees to repurchase any stocks which may remain unsold at an agreed date. This agreement serves as protection to the supplier as well as to the bank. By repurchasing unsold stocks the supplier precludes possibility of having standard merchandise dumped at distress prices.

Several examples where field warehousing has been used with remarkable results were cited. "Naturally, the potentialities of this method of financing depend largely on the aggressiveness of the concerns which turn it to their needs," said Mr. Gibson. "One well-known Southern oil refinery blocked out competition on several fronts by providing field-warehoused stocks of fuel oil to certain jobbers." This company fills storage tanks of the jobbers to capacity during the summer months. The tanks are immediately sealed by the warehouse company and warehouse receipts are turned over to the bank which finances the purchase. Thus, the refinery receives its payment on delivery. Throughout the fall and winter the bank collects from the jobbers as oil is released to them. In this way its advances are automatically liquidated, if all stocks have been consumed by the end of the retail selling season. Under a repurchase agreement, the refinery takes title to whatever stock remains.

"The net of this arrangement," Mr. Gibson stated, "is that the producing company has made exclusive customers by tieing up jobbers' storage facilities. It has overcome one of the important limitations resulting from the Robinson-Patman Act in that it is able to deliver to jobbers three or four times as much stock as they would be able to buy otherwise.

"Surprisingly enough, some of the jobbers do not use a cent of their own money. Where their credit is strong enough, the bank finances the entire purchase and simply pays the jobbers the difference remaining after collections have been made."

JAMES A. WALSH, Credit Manager, Adley Express Co., Inc., New Haven, Conn., considers

Truck transport credits

To the many inquiries received from manufacturers, wholesalers and retailers relative to their question "Why should the motor truck transportation industry enjoy the privilege of being able to enforce all collections within a seven day period from date of presentation?", I would like to present my observations.

This is not a privilege, nor a concession, but is a mandatory requirement of the Interstate Commerce Commission and is part and parcel of the Motor Carrier Act of 1935 as advocated by that body, and may be found in Section 223 of this act.

Let us review briefly, if we will, the factors which motivated this action of the Interstate Commerce Commission with reference to motor truck industry and also review the economic value and effect in the decline of the cost of commodity distribution which is the direct result of the formation of this industry.

Picture, if you will, the cost, time and effort expended by many industries a few years ago whose sole method of transportation was by horse and wagon from isolated railroad stations to their plants which, because of natural locations, were far removed from the point of origin of many of their products.

From a national survey that was made, it was estimated that approximately 45,000 communities had no rail connections and depended wholly upon this method of transportation. The expense of this additional effort was reflected in the prices of all commodities and was, to a measure, directly responsible for the ever-increasing cost of commodity distribution prior to the appearance of motor truck transportation.

Let us advance to the years 1920 and 1925 and the advent of the first "over-the-road-movement" by motor truck when a new era in transportation was begun which revolutionized this industry heretofore controlled entirely by the railroads. It brought with it a flexibility of movements otherwise unheard of, and to many traffic managers was, to put it in the vernacular, "a dream come true."

Then began the "chiseling" and subsidizing by both shippers and carriers in an effort to obtain concessions in this new industry and a period of uncontrolled competition followed which had it been allowed to exist would have placed this industry "behind the eight ball."

Insurance by the shippers on cargos were allowed by some carriers, thereby, reducing rates in proportion at so much per hundred weight in order to obtain the business of many of the larger shippers, and which resulted in a rebate to some shippers, but was not given to all. Late billing and a latent attitude toward collections ranging in periods from one to four months was also prevalent with the result that an abnormal condition existed which placed this great industry in jeopardy.

The Motor Carrier Act was established with the purpose in mind of controlling this unfair competition which existed between carriers and shippers by fostering plans whereby all would be on an equal and competitive basis. The Act first made its appearance in 1935 and allowed a carrier a period of thirty days for the collection of charges.

It might be well to digress at this point to show the reason why this thirty day period did not prove successful—because of a steady advance in overhead costs which included administration, operation and maintenance departments. The major increase was in labor costs and was brought about by an organized labor front which pyramided this one item to a new high and which necessitated drastic action in this industry, which had grown by leaps and bounds, and which was the most vulnerable point for their attack.

Another of the main purposes for which the act was instituted was to provide a quicker turn-over of account receivables which would alleviate to a certain extent the need of added capitalization.

An interpretive order was then prescribed by the Commission, changing this thirty day period to read fifteen days. However, even this fifteen day clause impaired a hardship on both the

Michigan rules on truck C. O. D.'s

Grand Rapids.—The Michigan Public Utilities Commission recently announced a new rule governing the collection of C.O.D. shipments by motor vehicle common carriers. This new rule reads as follows:

"All such carriers, immediately upon collection of any and all C.O.D. monies, and in no event later than five (5) days after delivery of the C.O.D. shipment or shipments, shall remit to the consignor, unless otherwise authorized by the consignor, the monies so collected by cash or currency, money order, cashier's check, certified check drawn on a bank account in which only C.O.D. monies are deposited."

The rule also points out that all monies collected on intrastate shipments shall be impressed with a trust for the benefit of the C.O.D. shippers.

shipper and the carrier because there was no definite interpretation as to the number of days to be allowed in rendering bills; neither, by the same token, was there any period of time allotted to their definite payments, for example, a period of time, say nine days for the carrier to submit his bills and a six day allowance for the shipper.

The resultant confusion brought forth a further interpretive order which made it mandatory, effective October 1, 1937, that all bills be presented within seven days from the first 12:00 o'clock midnight following delivery of the freight and that all bills are payable seven days, excluding Sundays and legal holidays other than Saturday half-holidays, from the date of presentation which shall begin from the first 12:00 o'clock midnight following the presentation of the freight bills.

This period of time was the result of an exhaustive study made by the Interstate Commerce Commission and covered every mode of transportation in the United States and was also brought about by the insistence of the railroads. They claimed that this period was a concession to the motor truck industry as compared with the forty-eight hour collection period allotted to them. The statement was made that we were being subsidized. This in face of the fact that highway transportation in all its phases is responsible for one-sixth of the over-all tax collected in the United States. Today the total tax bill on highway transportation amounts to approximately one and three-quarters of a billion dollars a year.

Therefore, I believe that inasmuch as the motor truck transportation industry has rendered such a signal service by creating a more flexible medium for shippers, because this industry has created employment for over five million people and because it has helped greatly to decrease the cost of commodity distribution, it is the duty of all shippers to co-operate with the motor truck carriers to the end that the accrued benefits of such co-operation may be enjoyed by all.

I would like also at this time to leave the thought that despite the fact that there have been numerous complaints as to the shortage of time now allowed for the payment of motor truck transportation charges this period of time, in the not too distant future, will be shortened before it is ever lengthened.

Collect your accounts and keep 'em saleable!

Says FRED J. CARPENTER
Asst. Treasurer,
National Supply Co.,
Los Angeles, Cal.

How often in following for payment of due and past due accounts, have you had your sales manager or general manager suggest you be lenient? How often have they said that good customers should not be pressed for payment lest they be offended?

If you have replied by stating that it is your job to see that goods are paid for when payment is due, you have doubtless stated the truth. If you have justified your action by explaining the added hazards involved by a too lenient collection policy, you have been on firm ground. If you have explained that in assisting customers to keep their affairs in current condition and in discouraging over-expansion, you are rendering those customers a real and constructive service; you are right, again.

But, I ask, have any or all of these answers impressed the individual responsible for and principally interested in increase of sales volume? Chances are, they have not!

How then can you best explain the wisdom of keeping accounts receivable current? Well, the sales manager wants to sell every customer and prospect. My idea is to show him that when an account is past due, it is impossible to approve credit on further purchases.

If most of your accounts are kept current they will be in such shape that any orders received from them can be handled promptly. If accounts are not current, it is necessary to communicate with customers when new orders are received, with the reasonable expectation that something said or done regarding the existing past due bills will offend the purchaser.

Here's an explanation and a situation that any sales manager can understand and will be willing to understand. Here is common ground and an objective which appeals alike to credit managers and sales managers.

Collect your past due bills. Keep your accounts saleable!

Income tax administration

The state of New York administered its state income taxes at a cost lower than any other state in 1934, the latest date for which comprehensive figures for the states are available. According to a volume "Studies in Current Tax Problems," recently published by the Twentieth Century Fund, New York, spent only 1.0 per cent of the revenue from its combined personal and corporation income taxes that year on their collection. The national average cost of administering state income taxes in 1934-1935 was 1.7 per cent of the income derived from this source.

In 1933 New York spent even less in administering its income tax. That year only 0.7 per cent of the tax was needed for administration. Utah in 1933-1934 spent more than 15 per cent of the revenue from its income tax for administering the tax which is explained partially, however, by a $1.00 filing fee required by the income tax law, low rates, high exemptions and property tax offsets that minimized the yield of the tax.

Do you know about the new extended coverage endorsement?

by CLARENCE T. HUBBARD

This medium of "risk grouping" has been referred to as "all of the allied fire lines tied up in a neat little insurance package."

Graphically, this description can be ok'd, but technically, the statement is not accurate. The Extended Coverage Endorsement, while incomplete in principle, is nevertheless, more than a passing sentence to earnest students of credit protection by insurance.

This much referred to endorsement, one of the most progressive steps ever undertaken in the field of fire insurance, is the means of *extending* the ordinary fire insurance policy to embrace a group of additional hazards.

If one could only stop right here—this article would not be necessary. But, in so extending the fire insurance contract *by endorsement* to certain additional hazards, it is helpful to realize that this privilege:

1. *Perpetuates the protection of fire insurance to apply under circumstances not permitted* without *the attachment of the Extended Coverage Endorsement.*
2. *That the attachment of this endorsement clarifies the "sit-down" strike coverage under the Riot insurance item.*
3. *That a number of important stipulations are included in the endorsement which should be understood.*
4. *That losses are apportioned according to the amount of fire insurance carried.*
5. *That the Extended Coverage Endorsement is not an all-risk cover.*

The Extended Coverage Endorsement, with emphasis on the word *extended,* implies that when this endorsement, embracing a grouping of allied fire insurance coverages, is attached to an ordinary fire insurance policy, *it does not represent additional insurance liability,* it is, in fact, the extension of the amount of liability under the fire insurance policy, to which the endorsement is attached, to include also the hazards named in the endorsement. It is not a separate insurance contract.

In other words, the credit manager, interested in knowing whether his clients have their insurance policies properly written and supervised, should realize that when the Extended Coverage Endorsement is added to a fire insurance policy, say, a policy written for $50,000, and then should a total loss occur by windstorm—one of the hazards insured under the Extended Coverage Endorsement—then the whole amount of the liability of the policy, applying both to fire and all the other perils, is used up.

There is no liability remaining after paying the loss. If a partial loss develops under a $50,000 fire insurance policy, to which the Extended Coverage Endorsement is attached,—say a loss of $5,000, it means that an amount of $5,000 of the entire liability of the contract has been used up, and there remains only $45,000 to apply on any future losses, unless the liability consumed by loss is reinstated.

This new and much discussed endorsement offers insurance protection, when attached to a fire insurance policy, against the following hazards—windstorm, hail, explosion, riot, aircraft property damage, motor vehicle damage and smoke. The endorsement is practically uniform the country over, though there are one or two modifications, in the south and the Pacific Coast.

For instance, in Florida there is a "limitation clause" in the Extended Coverage Endorsement used there, which limits the recovery on windstorm losses to claims exceeding $25.00. This is not a deductible clause—$25.00 is not deducted from each windstorm loss. A $30.00 loss would be paid in full. But losses less than $25.00 are not collectible. However, in Louisiana, another southern state, a $50.00 deductible clause applies on the windstorm portion of the Extended Coverage Endorsement, meaning $50.00 deducted from each and every loss. Then on the Pacific Coast, the Extended Coverage Endorsement, includes the "Fallen Building Clause Waiver." This referred to waiver is not included in the Extended Coverage Endorsement anywhere else in the country, although it can be purchased as an insurance coverage, usually attached to a fire insurance policy by separate endorsement. On the Pacific Coast, due to the earthquake hazards, nearly everyone purchases the "Fallen Building Clause Waiver", either through the Extended Coverage Endorsement, or separately.

As every credit specialist should understand, there is a "fallen building clause" in every standard fire insurance policy, which means, that if a building, or a material part thereof, falls, and fire ensues, the fire insurance policy covering the risk is void. This "fall" might be brought about by a windstorm, or an explosion, or a riot, or an aircraft or motor vehicle collision—and therefore, under the Extended Coverage Endorsement, any fire ensuing would be insured. *The fire insurance is thus perpetuated.*

To make this clearer, if a windstorm causes a material part of a building to fall and then fire ensues, the fire insurance contract by itself is voided, but a fire loss so developing can be collected under an Extended Coverage Endorsement. This is likewise true if a property-owner purchases individual insurance contracts—if he has, for instance, both a fire and a windstorm insurance policy, then if a fire occurs as the result of windstorm, even if it

involves the Fallen Building Clause, the property-owner is protected.

This is called "Bridging the Gap." The Windstorm and Aircraft Property Damage policies all "bridge the gap." So does the Earthquake insurance policy, which, however, is not a part of the Extended Coverage Endorsement. Then the Riot insurance policy assumes any fire loss, the result of riot, if the fire insurance policy is voided by a riot. But the Explosion insurance contract, by itself, *does not* "bridge the gap."

However, when you acquire the Extended Coverage Endorsement, the "bridging of the gap," or resultant fire loss occurring, even if a material part of a building falls, *is fully protected*, so that one of the outstanding protective benefits of this endorsement is in the fact that it *perpetuates fire insurance* under almost all conditions.

However, there are still some losses, other than fire, which would not be covered. For instance, the collapse of a building. If a building collapses from any hazard discussed herein and fire follows, there would be insurance protection, but if a building collapses, say from vibration, or faulty construction, deterioration or decay, and fire follows, then there would be no recovery under either the fire insurance policy, or the Extended Coverage Endorsement, unless the Fallen Building Clause Waiver were attached. The Fallen Building Clause Waiver can be attached to a Fire insurance policy for an additional premium, in most territories, though out in the Pacific Coast territory, it is an incorporated part of the Extended Coverage Endorsement, but not elsewhere.

Again, I want to make this clear that the Fallen Building Clause Waiver and the Extended Coverage Endorsement will perpetuate the fire insurance and take care of fire insurance losses occurring *after* a building has collapsed from any of the perils insured against through the falling of a material part thereof—but if a building collapses from causes not insured against and *no fire follows*, then there is absolutely no recovery under the Extended Coverage Endorsement, or the Fallen Building Clause Waiver. Collapse insurance is not a general class of protection offered by fire or other insurance companies.

It is only recently that the Extended Coverage Endorsement, grouping together these various allied hazards, has been standardized throughout the country. Heretofore it was called the Supplemental Contract and in some localities it was a separate contract from the fire insurance policy—now it is an extension of the fire insurance contract. The last state to adopt this form of extending insurance to include the allied fire lines, is Texas. However, up to the time of writing, this state has confined the adoption of the Extended Coverage Endorsement to dwellings and apartments only and not to a general class of construction

The cost of the Extended Coverage Endorsement is less than the cost of separate policies for each of the hazards named—considerably less. The rate charges vary throughout the country because, in some instances, the windstorm hazard is rather pronounced especially in certain mid-western states and southern territories, whereas in the east, the windstorm hazard is considered mild and does not run up the cost of the endorsement.

The credit man should keep in mind, particularly when reviewing insurance surveys, that the Extended Coverage Endorsement should not be confined only to straight fire insurance policies covering buildings, machinery and contents—but that it is equally as important to see that this endorsement is attached to Use and Occupancy or business interruption insurance policies, also to rents insurance policies, leasehold insurance and profits and commissions insurance policies and, where possible, to builders risks insurance policies.

For instance, considering use and occupancy insurance from a credit man's point of view, it is equally as important to see that the interruption to earnings of a business is protected from losses resulting from allied fire hazards as well as from fire itself. It would be irony to have protection against loss by fire and then to find that a windstorm, or a riot, or an explosion, caused the insured premises to suspend operations *and with no insurance protection!* This is hardly excusable now when these combined coverages can be obtained at a low rate, all in one form.

It is also rather important for credit men to keep in mind the Extended Coverage Endorsement on the insuring of buildings under construction. They are exposed to greater damage from windstorm, and from riot, and from

The Extended Coverage Endorsement guards buildings under construction

explosion, than are buildings fully completed. Only within a few weeks, a building almost completed was dynamited through a stick of this powerful explosive being hung in the chimney. Another large building, valued at three million, and while under construction, was severely damaged by sabotage. Both of these losses were caused by labor reprisals—something for the credit manager to think about. The insurance is usually in the name of contractors, subcontractors and supply houses. Furthermore, the attachment of this "Extended" endorsement to various monthly reporting insurance coverages—insuring contents of locations distributed throughout the country, all in one monthly reporting policy — this too should be checked. There is much, you see, for the credit manager to check under the subject of "insurance." The "survey plan," as explained in a previous article, is the most efficient manner.

Among the properties insured under fire insurance policies, on which the Extended Coverage Endorsement *cannot* be used are airport properties, bridges and tunnels, coal and ore docks, farm properties, greenhouses, mining properties, prison risks, public utility electric generating stations, railroad properties, roofs when insured by themselves, signs when insured by themselves, smokestacks, stone quarries, and trees, shrubs, yards, garden improvements, and golf grounds. These risks can be insured through separate allied fire insurance policies.

Signs and awnings, until recently, were not eligible for protection under the Extended Coverage Endorsement because of the windstorm hazard. Now this has been corrected and signs and awnings ***may be insured*** under the Extended Coverage Endorsement, providing that the fire insurance policy, to which the endorsement is attached, contains an 80% or higher coinsurance clause.

The insuring clause of the Extended Coverage Endorsement reads as follows: "The coverage of this policy is ***extended*** to include direct loss or damage by windstorm, cyclone, tornado and hail, explosion, riot, riot attending a strike, aircraft, vehicles, and smoke."

These named coverages are almost complete in their protection, but not entirely. For instance, the explosion insurance protection offered in the endorsement, represents complete explosion insurance, to be sure, whether the explosion occurs on or off the premises, but the coverage specifically excludes any loss or damage by explosion originating within steamboilers, pipes, flywheels, engines and machinery connected therewith and operated thereby. This has always been a standard exclusion in the Explosion insurance policy, and such insurance protection can only be obtained through a separate steamboiler insurance contract. There is one point of discussion which enters here which should be cleared up—what insurance is offered through this endorsement, if the property insured is damaged by an off-premise steamboiler explosion? Strictly speaking, such a loss is not covered under a policy which has the Extended Coverage Endorsement attached to it. All damage from steam explosions are excluded. While such a loss might be recognized by some of the fire insurance companies, the coverage is positively not included in the Extended Coverage Endorsement.

The stipulations applying to riot losses are interesting and important. The endorsement reads that: "loss or damage by riot or riot attending a strike shall include direct loss or damage from pillage and looting, when such pillage and looting occurs during and at the immediate place of riot or riot attending a strike and shall also include direct loss or damage by acts of striking employees of the owner or tenant of the described building while occupied by said striking employees." An important exclusion, however, is, "any loss resulting from damage or destruction to the property owing to a change in temperature, or interruption of operations, when such change in temperature or interruption of operations, results from riot, or strike, or occupancy by striking employees."

This means that if there is a "sit-down strike" and there is damage caused thereby, any loss from such damage is covered, other than changes in temperature, or interruptions to operations. For instance, there was a loss at a steel pickling plant. The strikers closed the blinds on the building when the heat was turned off. This change in temperature produced a condensation on the water pipes, which in turn damaged the steel. Such a loss would not be collectible. However, if the strikers or rioters or sit-downers directly damaged the pipes, causing water to destroy the steel, such a loss would be qualified. Any losses resulting to a plant merely from employees being on strike is not covered—there must be actual physical damage.

Further special stipulations, referring to use and occupancy, now clarifies up a previously disputed point. If a number of striking employees occupied a plant and damage occurred, and then these striking employees in their presence, refused to vacate and interfered with the immediate rebuilding or repairing of the plant. Any loss caused by such interference is not covered while the interference continues. Therefore, if physical loss or damage, other than that caused by change in temperature, was caused and then the strikers held the plant for thirty days, the use and occupancy "earnings" loss would be dated from the day on which the strikers vacated or yielded the plant. If the sit-downers permit the repairs to be made immediately, even though they still occupied the plant, the insurance recovery would begin from that date.

There are also some special stipulations applying to the tornado portion of the endorsement, these stipulations being common in the standard Tornado insurance policy. The insuring company is not liable for any loss or damage under the Extended Coverage Endorsement caused by snow storms, blizzards, frost or cold weather, nor for any damage to stacked grain, hay or straw or to windmills, windpumps or their towers, whether blown down or not. The exclusions continue and deny liability for any loss or damage to other property caused by the blowing down of windmills or pumps. Furthermore, there is no liability for loss caused by tidal waves, high water, overflow, cloudbursts, nor for theft. Beyond that, it is important to realize that there is no loss or damage collectible when caused by water or rain, whether driven by wind or not, unless the building insured first actually sustains damage to the roof or walls by the force of the wind.

The usual Glass pro rata distribution clause is included in the endorsement, which limits the recovery from loss by the hazards named in the endorsement on any plate of glass, to the value which such glass bears to the

total value of the building. The amount of insurance is arrived at by applying each plate to the proportion that such plate bears to the total value of all such glass. If a property owner is insured to full value, he can collect full plate glass, tornado and other losses.

It should also be understood that the smoke coverage provided is only from the result of smoke due to a sudden unusual and faulty operation of any stationary steam, hot water or hot air plant, pertaining solely to the service of the building and does not cover smoke from stoves, fireplaces or any apparatus. Oil burner smudge is the hazard herein provided.

The Apportionment Clause is very important. I quote the clause word for word:

"This Company shall not be liable for a greater proportion of any loss or damage from any peril or perils included in this endorsement that the amount of insurance under this policy bears to the whole amount of fire insurance covering the property whether valid or not and whether collectible or not and whether or not such other fire insurance covers against the additional peril or perils insured hereunder; nor for a greater proportion than the amount of insurance under this policy bears to the amount of all insurance, whether valid or not and whether collectible or not covering in any manner such loss or damage; furthermore, if there be other insurance covering any or more of the perils causing loss or damage hereunder, covering specifically any individual unit of property involved in the loss or damage, only such proportion of the insurance under this policy shall apply to such unit specifically insured, as the value of such unit shall bear to the total value of all the property covered under this policy whether such other insurance contains a similar clause or not."

This means that if a property owner had a $20,000 fire insurance policy with the Extended Coverage Endorsement attached, and he also had an additional $20,000 tornado insurance policy and there was a $3,000 loss—the Extended Coverage Endorsement would pay $1,500 of the loss, and the Tornado insurance policy pay the other $1,500. If he had a $20,000 fire insurance policy with the Extended Coverage Endorsement attached, and a $10,000 tornado insurance policy—then the extended coverage endorsement under the fire insurance policy would pay two-thirds of the loss, and the Tornado insurance policy, one-third; therefore, the credit man can readily see that it is most important to have all fire insurance policies, containing this endorsement, concurrent as far as possible.

Malicious damage or vandalism insurance is *not* provided in the Extended Coverage Endorsement, neither is War Risk protection. The "vandalism" coverage can be endorsed onto the fire insurance policy, along with the Extended Coverage Endorsement, at an additional premium. The same for war risk. Vandalism is not considered covered under Riot insurance.

It's a simple endorsement and yet it involves many pointers and as its use today is very general, it should be insisted upon where credit protection is desired, mainly because it perpetuates the fire insurance, and in addition, at a nominal cost, also furnishes protection against hazards which previously were perhaps too expensive to insure separately.

The foregoing is a description of the Extended Coverage Endorsement, available to dwellings and nearly all classes of property, and does not refer to the various supplemental, extended, and special endorsements, involving various combinations of allied fire insurance hazards, particularly sprinkler leakage, as applying to superior construction serviced by automatic sprinklers. These endorsements, known as 3 A, 3 B, and 3 C, along with other variations, are confined to sprinklered risks only, of the highest order.

Truth about Mrs. O'Leary's cow

In connection with the annual observance in October of Fire Prevention Week, it is interesting to get an "inside story" of why that time of year was chosen. The following account comes from "Fire Insurance" which is published by the Phoenix Insurance Company of Hartford, Conn. and affiliated companies.

No one would ever give a cow credit for having started a world-wide movement to reduce the annual loss due to fire; nevertheless, such credit is due to a Mrs. O'Leary's cow of Chicago, although Mrs. O'Leary emphatically declared, at the time, that the animal was much maligned. October 9, 1871 was the date of the historic conflagration; and on the anniversary of this fire, civic forces throughout the world join hands in a great fire prevention effort.

The popular explanation is that the Chicago fire started because a certain Mrs. O'Leary who lived on the north side of Dekoven Street near the Chicago river played nurse to a poor bossy with a swollen udder.

Aroused by the rumpus the restive animal was kicking up in the barn, Mrs. O'Leary, so the story goes, grabbed a lamp that stood on the table in the dining room of her modest home and, at half past nine on the night of October 8, 1871, sallied forth on the errand of mercy that resulted in the destruction of $200,000,000 worth of property.

We find that the story about Mrs. O'Leary and the cow was a fabrication of the man of the house and dated from the second day of the fire. The neighbors of Mr. O'Leary say he made up the tale because he was fearful all Chicago was coming down on him to demand prompt payment of the $200,000,000 that had disappeared in smoke, which at least proves Mr. O'Leary was an optimist and had a fine sense of responsibility. But, as is not unusual in family circles, Mrs. O'Leary told another story.

"There is not a word of truth in the whole story," said Mrs. O'Leary. "I always milked my cows by daylight, and never had a lamp of any kind or a candle about the barn. It must have been set afire. Two neighbors at the far end of the alley saw a strange man come up about half past nine in the evening. He asked them was the alley straight through. They told him it was and he went through. It was not five minutes till they saw the barn on fire. Before we had time to get out the horse or any of the cows, it was all gone, and the fire was running in every direction. The boys turned to and saved the house. I hope to die if this isn't every word of it true."

This anecdote is a bit of human interest that seldom gets publicity. But it isn't the great story that came out of the fire. The great story is that from the charred ruins came a realization that prevention of fire is essential to the healthy growth of the nation.

B.P. CALDWELL, Asst. Secretary, Underwriters' Laboratories, Inc., Chicago, takes you

Behind the "U. L." scenes

Atop the tallest building on each airport sits the plane dispatcher. His job is to direct the movement of planes to and from that airport so that each arrival and departure may be safely executed.

It seems to me that the plane dispatcher's and the credit man's job are, in a way, very similar. From points of vantage they both view the entire field. Constantly they study the changing scene. Both dispose of incoming and outgoing traffic case by case, treating each individually yet always with a view to its relation to the picture as a whole. They calculate developments of the future.

When fog descends and storms threaten the plane dispatcher's job becomes too big for one man alone and he seeks assistance.

The credit man too has assistance at his elbow; sources of reliable information, facts which enable him to evaluate the hazards of the risk, and means of protecting his firm against the consequences of such hazards.

In the October, 1937, issue of "Credit and Financial Management" Mr. Paul B. Sommers, President of both the American Insurance Co., and the National Board of Fire Underwriters, told you of the assistance offered credit men by his organization. In the same issue Mr. George W. Booth, Chief Engineer of the same body, wrote of the value of fire prevention in the protection of credit. Two powerful assistants.

Another branch which serves credit men and the public generally is Underwriters' Laboratories, Inc. Protection of life and property is the sole object of this altruistic, non-profit organization.

Two paragraphs from the charter outline the purposes in full:

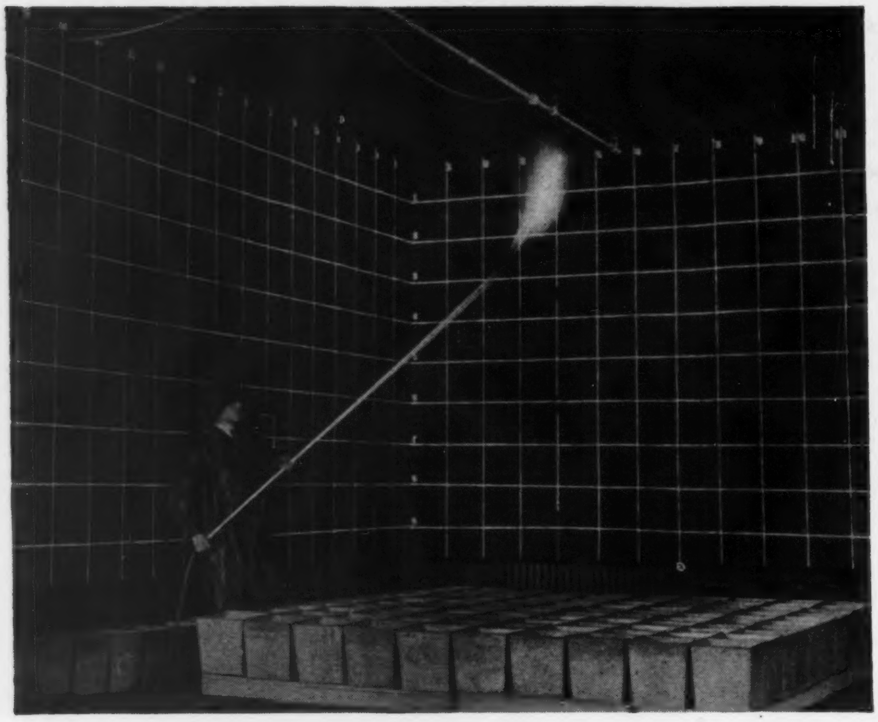
'By scientific investigation, study, experiments and tests, to determine the relation of various materials, devices, constructions and methods, to life, fire and casualty hazards, and to ascertain, define and publish standards, classifications and specifications for materials, devices, constructions and methods affecting such hazards, and other information tending to reduce and prevent loss of life and property from fire, crime and casualty.'

'To contract with manufacturers and others for the examination, classification, testing and inspection of buildings, materials, devices and methods with reference to the life, fire and casualty hazards appurtenant thereto or the use thereof; and to report and circulate the results of such examination, test, inspection and classification to insurance organizations, other interested parties and the public. . . .'

Products of approximately three thousand manufacturers—some fifteen thousand different types of devices, materials and systems having a relation to fire, crime and casualty hazards—are on the approved lists of Underwriters' Laboratories, Inc. These published findings and the results of forty-three years of experiment, testing and research are made freely available. Herein lies the especial significance of this work for the credit man.

This activity finds its culmination

Fire extinguishers are tested for efficiency and also for safety of the operator. Normal, internal operating pressures are measured and must not exceed certain specified safe limits. Then the cases are tested under hydraulic pressure and, for the type shown, must not burst below 500 lb. per sq. in.—this despite the fact that operating pressures for this type are only about 100 lb. Extinguishers are tried out on standardized fires set to tax their efficiency. Shown above is the test of a 2½ gal. foam type device. Two gal. of gasoline have been poured into the 4 ft. dia. tub, ignited and allowed to burn for 20 sec. to reach max. intensity before the attack begins. Fire must be extinguished before charge gives out if device is to win Underwriters' Laboratories' label of approval



Automatic sprinklers are tested in ovens to determine their operating temperature, lag and reliability. Tension on the link of the link-and-lever type sprinklers is also carefully determined. Accelerated aging tests in corrosive vapors are followed by operation tests and all machined surfaces and dimensions of new types of sprinklers are checked to determine compliance with allowable safe manufacturing tolerances established. As shown above, sprinklers are also tested for distribution or the manner in which they cover ceiling, walls and floor with water. Set off by a torch they are allowed to run for a specified with a stipulated water pressure in the system. Walls and ceiling of the test laboratory are marked off in one foot squares and the floor is covered with one foot square buckets having over-lapping edges so as to prevent the loss of water. At the end of the test the areas wet can be easily determined and the volume of water collected in each bucket is measured

in the following printed lists of products which have passed the tests and complied with the safety standards imposed:

1. Inspected electrical appliances
2. Inspected fire protection appliances
3. Inspected gas, oil and miscellaneous appliances
4. Inspected automotive appliances
5. Appliances inspected for accident hazards
6. Inspected burglary protection appliances

These lists, which are printed annually and supplemented during the year, contain the classification of the products, catalog numbers and other data relative to identification. Many credit men, purchasing agents, architects, professional engineers, rating organization men and others find the lists indispensable in their work.

Often insurance savings can be effected and at the same time loss hazards minimized by requiring the use, wherever possible, of products which have been "Approved by the Underwriters." In this connection it is well to bear in mind when calling for reports on the equipment of buildings involved in credit negotiations, that a careful check of such equipment is advisable. Certain classes of approved devices may be identified by means of a label attached to the article itself. Other classes however, are not so identified and where such is the case reference should be made to the proper list.

It is interesting to note that approximately half of the products submitted for test, fail on the first submittal. Further, only half of these are resubmitted in modified form suitable to warrant eventual inclusion in the lists of inspected appliances. This means that twenty-five per cent of all products submitted never achieve a listing. And, of course, there are products which, although within the scope of testing at the Laboratories, are, for one reason or another, not submitted. Lest this be misleading it should be stated here that in a substantial number of industries the coverage by the Laboratories is nearly one hundred per cent.

For the conduct of this work three testing stations are maintained. The principal office and test depot is located at 207 East Ohio Street, Chicago. This establishment comprises more than one hundred thousand square feet of floor space and houses the laboratories of the following seven testing and research departments: Automotive and Casualty, Burglary Protection, Chemical, Electrical, Fire Protection, Gases and Oils, and Hydraulic.

Branch testing stations are situated in New York City and San Francisco.

In addition to the original investigations of goods submitted voluntarily by manufacturers to the three testing stations where they are examined and tested at cost, an important phase of the organization's work is carried on by the inspection force whose offices are located in one hundred eighty-five cities throughout the United States and Canada.

The importance of the inspection to users of approved products is difficult to overestimate for the inspectors, by periodic check, examination and test of listed products in production at the factory, determine that the current production is in compliance with the safety standards imposed. Inspection is maintained as long as the products are carried in the lists of inspected appliances. Thus Underwriters' Laboratories, Inc. and the consumer are assured that the published advices are correct.

Whereas insurance provides the basis for our present-day credit structure, lifting the burden of risk from the individual, guaranteeing business permanence despite disaster, and *reducing* the interruption to business caused by fire and other losses, Underwriters' Laboratories, Inc., collaborates to expand the service by freely providing facts and information tending to *prevent* such losses.

What business management faces

by DWIGHT F. McCORMACK, General Manager, Sherman-Clay & Co., San Francisco

It sounds very nice to express the theory that a business is organized for the purpose of providing a public service, and sometimes to indicate that the idea of public service, is the only justification for investment in an enterprise of either capital or of personal service. However, I am going to assume that the stockholders we are discussing have that peculiarly selfish trait of having invested their capital for profit; that banks lend to businesses for the interest income to be earned; and further, that the personnel of business spends its efforts for the compensation it receives and for the opportunity for personal improvement that is presented. Of course, every business realizes that the providing of an outstanding or better public service than the competitor is just plain good business. It produces a better opportunity for profit.

Management realizes that it cannot gamble on uncertainties. It recognizes rising costs for most labor, and likewise a definite tendency to declining sales. More important, it must face the fact that customers, the consumers, have a definite disinclination to pay higher prices for merchandise without a better reason than that the company needs the additional margin to cover its expenses at a profit. And this last point, customer's resistance or just plain weariness and reduced capacity to buy must not be lost sight of.

Current management problems fall into three general classes—financial, specific operating problems, and general or external problems.

Coming first to the financial factors: The prevailing easy interest rates may lull management into a false sense of security, believing that bank loans are easy to carry, and that consequently, an overladen inventory situation or an extended credit condition does not require so close control when on the other hand maintenance of sales volume does seem so important.

This, however, is not true. An interest expense, no matter how small, is a burden; and the ability of the business to operate with a smaller inventory and a lower accounts receivable investment means a reduced operating expense and a better turnover of the capital investment.

Inventory control, accordingly, is an important problem to be watched. Any careful operation must have as close an estimate of sales as possible and with, of course, a careful budgeting of inventory requirements and purchases.

With an apparent low level of commodity prices, it may appear attractive to a company if it has ample cash, to speculate in inventories, assuming any tendency to improved business. Buying ahead of requirements or in anticipation of price increase is dangerous. It more often results in obsolescence of merchandise with markdown and losses, rather than opportunity to greater profits.

Sound credit policy at this time will not include the taking of undue risks. Much better to lose doubtful business than to get it on the boks with resulting high credit losses. Sales departments must expect more vigorous scrutiny of dealer and customer credit, but again, a business must expect to be called upon, perhaps to carry some of its good accounts a little longer than usual, realizing that dealers face those same economic conditions as other businesses. But it does require careful watching of the affairs of the customer and knowledge of all his problems.

In the picture of financial problems is the progress of inflation. The alternation of inflation scares with periods of indifference towards the subject is evidence that there is a general lack of knowledge of the *time* required for inflation's progress. Unquestionably, most of the effects to be expected from the existing degree of inflation are yet to come.

In both inventory and credit policies, inflation is an important factor. It means a rise in real estate and inventory values and raw material costs, and on the other hand, a depreciation of the value of accounts receivable. Of course, the ideal situation is the ready flexibility of a business so that with the advent of the critical stage of inflation, all receivables would have been collected and accounts converted into inventory for the benefits of rise in values.

While that, of course, is an ideal, it is not to be expected that it can be accomplished, or could be accomplished readily or easily even if it were possible for any business to operate with no investment in receivables.

Inflationary progress has been divided into three phases. The first has been labeled the *early* stage. It is characterized by a tendency for the effects which might be anticipated, to lag behind the degree of inflation developed.

The second phase, called the *critical* stage, is the period during which the rate of reaction to inflation turns sharply upward, evidenced in commodity and equity prices.

The third, designated the *explosive* stage, is the period during which speculation becomes virtually uncontrollable or flight from the monetary unit is under way.

Inflation has been in progress in the U. S. since 1934 and it is believed that we probably are still in the so-called *early* stage of the New Deal inflation. When we may reach the *critical* stage is not yet apparent and there appears no method of forecasting it with accuracy. That it will come, there seems not the slightest reason to doubt.

When inflation is not of the perfectly obvious printing press currency type, it is usually a credit inflation financed by means of the banking system. The ordinary business boom has

almost invariably included some degree of credit inflation.

A government forced credit inflation is essentially the same in principle as a private credit inflation, but the government is the borrower rather than the business man or speculator. By forcing its bonds on the banking system, the government obtains credits to the Treasury account, which are then passed into the channels of business by the process of writing checks to pay for government expenditures.

When government deficits are so large that current savings cannot buy all the government bonds sold, it necessarily follows that the banking system monetizes these deficits by creating the credits to the Treasury's checking account.

In the case of the German, French and U. S. Civil War inflations, we know that the bulk of the inflationary purchasing power forced into the channels of business was the direct result of enormous government deficits.

Whether or not the inflation now under way will continue until another devaluation or even complete repudiation becomes necessary is impossible to predict. Judging by the situation in France, it is possible for an inflation to be halted short of complete repudiation even after wholesale prices have arisen 800%. The absence of a government forced inflation is a circumstance conducive to mere collapse of a speculation boom rather than the more serious outcome just described. However, it was not the government which took the lead in halting the process in France, but a thoroughly aroused public opinion making known its views in a no-uncertain manner and that was whenHerriot was out and Poncaire in. July 21, 1926 France devalued to 4¢ from 19¢—repudiation avoided.

Considering now specific operation problems of business, we find them falling into two general classes, which we will call, "Non-controllable" and "Controllable."

Under the group of non-controllable expenses, rental in most cases, depreciation and taxes are the principal items. Of taxes in the variety of forms that they beset our business, only two can be greatly varied. Management plans should be made with the close advice of accountants and tax attorneys to avoid stepping into any taxable situations, from which withdrawal is difficult. One of our heaviest tax burdens is found in the 1% Federal Social Security and 3% State Unemployment taxes. Remember that, for every dollar of payroll there is an additional 4 percent tax that has become effective January 1, 1938, or conversely, realize that for every dollar that can be taken off payroll expenses, there is an additional premium of 4 percent on this saving. This tax puts a further premium on payroll reduction.

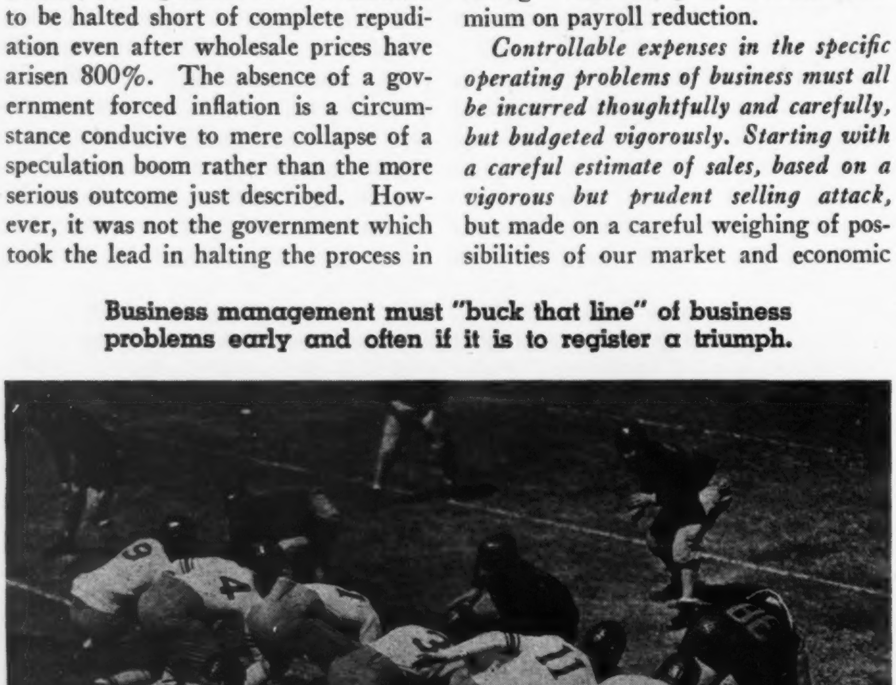
Controllable expenses in the specific operating problems of business must all be incurred thoughtfully and carefully, but budgeted vigorously. Starting with a careful estimate of sales, based on a vigorous but prudent selling attack, but made on a careful weighing of possibilities of our market and economic status, must first be the basis of our plan. The sales manager and operating department managers will tell of the necessity for expenditures for advertising, for dealer helps—packing and shipping—warehousing—for display, for salesmen's compensation, salesmen's traveling expenses and expenses for the entertainment of buyers, the necessity for donations, for memberships in associations for prestige building, for the need of additional fixtures or new labor saving equipment. All of these and other expense items should be scrutinized carefully. Remember that nothing is too unimportant to watch. Particularly is that true of labor saving methods, and there expenditures may justifiably be large.

But remember, vigorous tramping on expense items is vital and that operating expense ratio must fit into the sales income. Business should balance on the basis of a reasonably anticipated sales, and a situation should not develop expensewise that requires an increasing sales volume in order to balance an operating position. The factor of customer resistance or inabality to buy must not be overlooked through "rose-colored glasses." The inability of the consumer's fagged and jaded financial body to respond to any more high pressure sales or advertising shots, and least of all, at a higher than heretofore markup, means that the expense of getting more than a fair estimated volume, introduces the well-known law of diminishing returns. Forcing the sales volume at a cost out of balance with the additional profit to be attained therefrom, is bad management. So also, however, is falling short of a fair sales quota under the weak explanation of "business being bad." Accordingly, the sales organization must be brought to its greatest efficiency and maintained there.

And this brings us to the biggest problem and the biggest opportunity that management has to face in this or any other year, and that is *personnel.*

It is more than unfortunate that the national administration has planted and fostered in American business a class bitterness; that the employer has been pointed out as probably the worst enemy that an employee could have; and that outsiders have been vigorously encouraged to go into many peacefully operating companies to stir up trouble.

Business management must "buck that line" of business problems early and often if it is to register a triumph.



There is certainly no denying the fact that there were and are iniquities and in many cases, deplorable working conditions and hours, but it is far from true that all companies were or are as bad as many employees have been led to believe.

Collective bargaining is the law of the land and while many increases in compensation rates are quite fair and wholly justified, likewise, in many cases payroll costs have been raised to prohibitive levels. If management is obliged to meet a situation in some operating department of a business and becomes faced with a payroll situation that even precludes a break-even operation after regard for seasonal factors, its decision is pretty well made.

At present there is too thin a margin on which to operate—unless it can quickly bring to balance a non-profitable operating department, it should be closed up or reduced to a minimum.

The inability of business to have full confidence in our Washington government when we most need it, has made capital doubtful of assuming reasonable business risks. There still prevails a fear of shifting policies—a hostile attitude towards business—insistence on discredited tax methods and other laws preventing earning and retaining of fair profits. The recent tax law however is a big improvement, but further change is yet required.

But much more than raising prices to customers or wrangling with Union representatives on wage scales and operating conditions is necessary. On the contrary, if that is the condition with which we have to contend, our only out is to provide a greater incentive to the fewer people that we can employ to get the utmost out of their efforts and this applies to salespeople in particular.

We need not so much in the way of the highsounding term of sales management, but a much more practical management of salesmen. Specific plans for their work, specific help in its doing and definite and attractive incentive for goals and outstanding performance; this is the intelligent way around the problem of divided loyalty and high compensation costs that has attacked many businesses.

Business organizations undoubtedly will be a long time overcoming some of the administration's poisoning of employees' minds and we cannot wait

Mr. McCormack

on the return of that hoped for day.

But some good results come from all situations and from the one I have just described, management must of necessity be forced to know its people better, to recognize loyalty, to reward merit and achievement, to look for it and to develop it.

In the choice of personnel, particular care should be exercised in selecting new people. All positions, particularly strategic jobs, should be filled on the basis of merit and ability. No other basis will contribute so much to the efficient operation of business, which is so necessary. Likewise, for those people who have outstanding ability, business can afford to pay even more than the so-called going rates of compensation and its people will have the greater self-respect and value to their organization that comes of individual quality rather than regimented standards that place all on the same plane.

The influence of labor organizations and their bargaining capacity is widespread and increasing. It has been strengthened by law and has fluctuated up and down by Presidential dicta. On the other hand, it is weakened at this time by an adverse economic situation. However, it exists and useless fighting and refusal on the part of management to cooperate is stupid and unfair. This does not at all mean that management should capitulate to unreasonable demands.

Let's come back again to the reasons why the stockholders have invested their capital—to why bankers lend their capital—and to why employees work for a company. All factors participate for profit, but remember that the consumer determines both the volume of sales and the gross profit that he will permit the business to make. If the customer won't pay the asking price, labor must concede in its compensation demands, for management at least can reduce payrolls and eliminate losing departments and must. Certainly the inability of business to employ bank loans automatically reduces bank rates and income.

Accordingly, management in dealing with labor must get that point of view over. In a business where it is wrong or out of line or unfair in labor situations, a quick and cordial adjustment should be made. But where the management is right, it certainly must insist on its necessary latitude. If grief is in the offing, it might just as well be faced early and definitely. A business cannot take staggering burdens in the hope of some negotiator's kind heart alleviating that situation. It won't come by itself. Business enterprise may get that which is its share but it will have to fight for this with both head and backbone.

When management has intelligent, constructive labor leaders with whom to work, it is lucky. Those men are just as shrewd on bargaining and just as sound on economics as management and they realize the necessity for maintained payrolls, general employment and also the necessity for the company to make a profit.

So much for the internal management problems of the business. External problems have to do with sound, constructive thinking on national problems, namely: so-called planned economy, the public debt, tax program and labor problems and legislation. To these are added elections and European war clouds.

Bad debts are a low percentage of the total business but interest paid out to carry slow accounts and collection procedure to induce payment are sizeable items of the overhead expenses.—Wichita Retail Credit Association.

It is worth the time of company managers to lend active support and participation to sound and influential associations, who are endeavoring to influence the national spending policy to the end of controlling public debt and the *inflationary progress* that has been described. It is likewise the problem and responsibility of management to press vigorously through associations and congressional representatives for tax reform and control.

Surely, every effort of management and the influence of everyone who calls himself a good citizen, should be allied against the sort of political administrations—city, county and state—that permit the sort of "goings-on" that have characterized labor controversies.

Again management must work for the vigorous revision of the Wagner Labor Act to reduce labor strife and return reasonable control of business to those that provide capital.

Recognizing that we have to live with organized labor and collective bargaining, intelligent working with labor leaders is important. Business management should help to keep sound and constructive labor leaders in control of their organizations and likewise to help build and substitute the same quality of leadership for the radical and Communistically-dominated labor bodies that exist in some fields.

If business management in its enterprises is to survive it must return a profit to the stockholders or the capital investment will flee to some other field, or worse, become inactive. Those responsible for management must convince labor that its position is to share in, and not dominate, to gain its helpful cooperation and participation, *and no more,* lacking which it must fight for its existence.

Fidelity bonds: vital link in a chain of protection

by FRED J. BUTCHER, Asst. Secretary, Firemen's Fund Indemnity Co.

A few years ago a $2,000-a-year bookkeeper in an eastern bank wanted to get some extra money. He decided to take some securities from the bank and "beat the market." Unfortunately the market beat him, and his first venture resulted in a loss of $6,000. But he had discovered that it was possible to take the securities entrusted to him and use them for his own ends, and so he played the game again and again until, when found out, he admitted that his total defalcations amounted to $173,000.

A woman cashier in a restaurant in the middle west enjoyed the full confidence of her employers. Because she was so trusted she found it an easy matter to manipulate her books and bank accounts. Never in her life had she seen a horse race or a race track, yet she managed to sink an average of more than a $100 a week on betting for a period of over three years.

Apparently these people did not impress their employers as being dishonest people—but they embezzled just the same. It goes without saying that if an employer suspected his employees he would dismiss them without delay. It should be just as evident that if a bookkeeper, cashier or anyone entrusted with securities or money is honest and has nothing to conceal he will be more than willing to answer the questions outlined on a fidelity bond questionnaire.

Much of the resistance to the sale of fidelity bonds arises from a widespread belief that an employee would be unable to get away with any great amount, because of a particular system of bookkeeping or regular audits.

It is pretty safe to say that there is no bookkeeping system in the world that is absolutely proof against manipulation. This is no reflection on bookkeeping systems—the inadequacy of all systems lies in the human equation; and when a man is sufficiently hard pressed he is liable to turn to the only source of supply that he has available—the funds over which he has temporary control.

An employer may also pride himself on being a good judge of human nature; he may believe that he knows how to pick people and to tell an honest man when he sees one. While there is plenty of evidence in the daily newspapers about the embezzlement of funds there is a vast majority of such cases that never get into print, as an employer will pocket his loss in silence rather than admit that he has erred in judgment.

The strange thing about most embezzlements is that nearly all these people, when confronted with their crime, stated that they only "borrowed" the money, and that they had every intention of returning the amount at some time or other. This may be true, but after the ice of "borrowing" has once been broken it becomes necessary to repeat the offence to cover up the first shortage. In this way, once a man has stolen from his employer he finds it impossible to stop, and becomes hopelessly involved in the net he has spun for himself.

Embezzlement is not confined to such things as money, checks or securities—in some cases great loss has been sustained through the stealing of manufactured goods, merchandise or raw material.

Two hundred million dollars are lost annually by American business concerns through dishonest employees. Compare this figure with the fact that in 1936 property damage from fire amounted to $259,000,000.

Can anyone doubt that fidelity bonds—protecting liquid assets—are as much needed by every employer of labor, large or small, as a fire policy—covering fixed assets—is needed by any property owner?

There is a fidelity bond to fit every conceivable situation.

Marine insurance speeds export sales

by GEORGE APPLEGREN

A tractor manufacturer in Peoria has an order from South America; a wholesale grocer in Kansas City buys olives from Italy; a New England textile mill exports to Prague; a paper mill in New York state imports wood pulp from Norway—that's international trade.

If the man in Peoria were to follow his tractors down to South America, or if the Norwegian broker were to ride herd on his tons of wood pulp to New York state to be sure they arrive safely and that they got their money it would be an impossible situation. Yet, that is exactly what the old Roman, Carthagenian and Phoenician importers and exporters had to do prior to the invention of marine insurance 700 years ago.

Marine insurance is the oldest form of underwriting in the world. And it is the least understood. It antedates Lloyds' Coffee House in London by 400 years.

Because it operates in channels that are not restricted to the same narrow lines that are found in most other lines of insurance, there is a belief that it holds mysteries so complicated as to be beyond grasp of the layman. Quite the contrary is the case. Because it is broad, and because it appears to deal with conditions that are speculative marine insurance has of necessity been made simple. The centuries have given it a background of experience which makes possible the foretelling of contingencies. It is as easy, if not actually easier, for a man to buy marine insurance as it is for him to buy a policy on his own life.

It is entirely possible to take out individual policies covering each import and export shipment, but it isn't done that way in the ordinary course. Traders arrange beforehand for coverage of their movements, and the premiums they pay depend on the extent of the business they do. These contracts are termed Open Policies, on which the assured issues certificates to cover individual risks and hazards.

Marine insurance is of two kinds—Inland and Ocean. Inland applies to domestic and coastal movement of goods. Ocean is that which applies to international trade. It is the form with which we are concerned at the moment. It protects specifically against "perils of the sea"—against fire, sinking, stranding and collision of the vessel. The purchaser may go beyond these limits when cases warrant.

If one were suddenly to turn technical and take to splitting hairs he would be compelled to state that marine insurance is not insurance in the strict sense. He would say it is a part of international law. The companies engaged in it are but a small part of the web that has been spun. International banks and bankers, steamship lines and their agents, adjusters and settling agents in every port and by-way in the world are joined with the companies to give the machine its power. A marine insurance policy is negotiable paper, the same as if it were a bond or a bill of lading.

It should be obvious that companies in the business must know about international affairs, what local political cliques are doing behind the closed doors, war intrigue, and so on. A rate to one country may be 10 cents and the rate on the same commodity to another may be 75 cents though the mileages are equal. It depends on past experience and dealings and local conditions. They must know, too, as to the hazards to which all manner of goods and merchandise are exposed. There is a limit in each case to how far they can go.

The man who engages in international trade for the first time must bear one thing in mind. Whether or not his own particular goods have a loss he may be liable to the shipping line and the other shippers whose goods make up the cargo for his proportionate share of their losses. He is a party to "General Average", which means "sacrifice for all concerned." This is decreed by international law and settling agents have the authority to sell his goods if necessary to satisfy his share of this average.

General Average must not be confused as a policy form. Essentially, there are but two printed forms, known technically as "Particular Average" and "Free of Particular Average."

A picture of how these forms apply in practice is drawn from the recent experience of three middle western export concerns. An Indiana firm received an order for saws to India, a Chicago pharmaceutical house received an order from a customer in South Africa, and a refinery shipped oil in drums to the Canary Islands. All three shipments went forward on the same steamer. The saws were insured for Particular Average, the drugs "Free of Particular Average, and there was no insurance on the oil. A few days out the vessel encountered heavy weather and the captain ordered jettisoning, or throwing overboard the oil to stem the heavy seas and prevent waves from breaking over the ship. Had he not taken this action there was possibility that the entire venture might have been lost. At sea the captain's word is law, and his acts are not to be disputed. When the steamer reached port it developed that the saws had suffered from sea water to the extent of 50 per cent and damage to the drugs was appraised at 25 per cent.

Under the Particular Average coverage form of policy the Indiana saw manufacturer was protected against perils of the sea. His insurance company paid the claim for 50 per cent damage. It also paid his proportionate share on the loss of the oil under General Average.

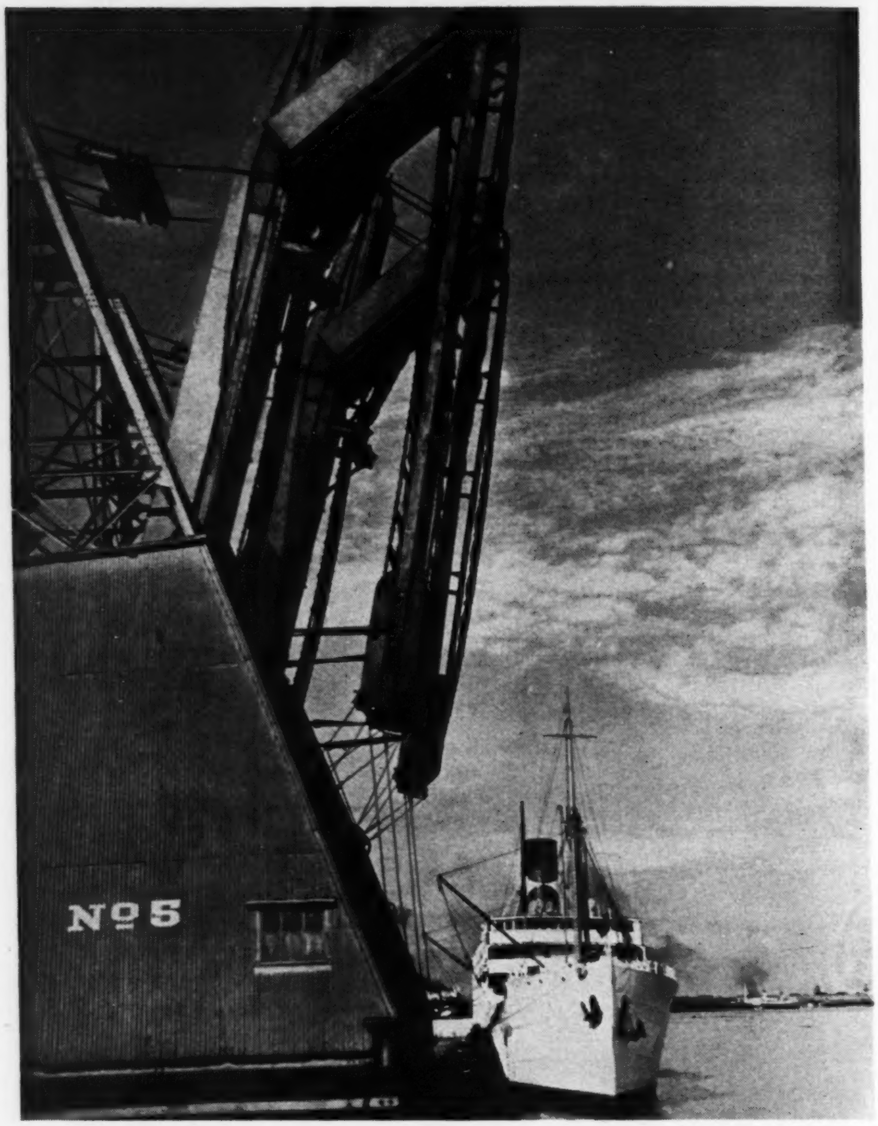
The drug firm had insurance on its pharmaceutical supplies under the Free of Particular Average form, which meant that the insurance company was excused from payment of partial loss except where the ship stranded, burned, sunk or was in collision. The shipper, then, bore his own loss, and the company paid his General Average sacrifice.

The oil, it is recalled, carried no insurance. That shipper was out of pocket for his share of the General Average loss of his goods and he was reimbursed the amounts contributed by the others.

Unless instructions are made in advance to the contrary, goods in international trade are insured in ordinary course of transit and are protected from warehouse to warehouse. It gives coverage over whatever form and forms of transportation, handling, etc., is necessary in moving the shipment to its final destination. There are supplemental forms that give coverage to meet situations. A shipper just the other day asked insurance on a bill of his goods that were in a warehouse in Asia Minor till such time as the consignee would have sufficient funds to take delivery. His policy became ineffective when the goods were placed in the warehouse on his order—they were out of transit.

The form on which marine insurance is written permits complete and full coverage. The certificate requires a statement of the value of the goods as shown by the amount on the invoice, plus cost of insurance, plus transportation cost (or guaranteed freight charges), and plus 10 per cent which is considered to be a normal profit. The marine contract is a valued form, on which the company does not attempt to replace the merchandise. If the correct amounts are declared, claims are paid in full. If correct amounts are not declared, meaning that if the shipment is uninsured, then any loss that may arise is reckoned the same as with any other type of insurance. It is pro rated.

Last February 1st marked a red letter day in marine insurance history.



A liberal flow of goods from one country to another is the means by which nations can prosper and peace be maintained in the world.

On that day underwriters throughout the world agreed between themselves to modify the coverage against war. As this coverage stands now, shipments are covered for the time they are waterborne only. This does not apply to trans-shipments, however.

Question as to whether the shipper or the consignee should take out the insurance has always been debated. The interest is a selfish one, and it should be the policy that each sees that he is protected through the Open Policy contract. In any marine shipment there is a risk. Often the consignee will not know that a shipment is on the way till he is notified by the customs officers. He may not know it then as the customs may draw a draft on his bank for the duty, which will give him first knowledge of the fact when the goods are actually in his place of business.

As to companies, it is a known fact that American companies are perhaps better equipped than are most foreign companies to handle claims. Besides, through dealing with his local agent or broker the trader in international goods holds the feeling that someone with a personal interest in his welfare is looking out for his side. Under the Open Policy form of contract, importers and exporters are assured that their movements are fully covered. They may buy or sell with freedom from thought that the other fellow's negligence may be responsible for a claim they cannot afford to bear.

A New Book Every Credit Executive Will Need at Once as a Guide in This Important Part of His Work

The Bankruptcy Law of 1938

(Chandler Act)

A Comparative Analysis prepared for the National Association of Credit Men

by

Jacob I. Weinstein, of the Philadelphia Bar

Member of the Bankruptcy Committee of the Commercial Law League of America, Member of the National Bankruptcy Conference and of the Drafting Committee.

The author of this important new book has had a considerable part in the actual framing of the Chandler Act and has been in close touch with this legislation since it was first introduced in Congress. . . . Mr. Weinstein has been at work on the text for this new book for months so as to be able to rush it to the printer as soon as the Chandler Act was passed.****

This new book covers every phase of the bankruptcy law—shows how to handle claims—how to protect your interests—all about the new rights you have under Chapter X (which takes the place of 77-b). Mr. Weinstein's book indicates and explains all changes made by this new law.

A Complete Text of the Chandler Act is also included in this New Book, making it a complete manual for handling Bankruptcy cases. It is written in laymen's language and completely indexed.

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Name.......................Company...............

Address...........City.........State...............

ARTHUR H. WINAKOR, Bureau of Institutional Research, University of Illinois, Urbana, Ill., analyzes

Liquidity and velocity

Less than twenty years ago the field of financial statement analysis began to evolve scientific practices and procedures; the current ratio, or the relationship between the current assets and current liabilities, was given a great deal of prominence and weight. It was the first ratio carefully developed and analyzed. The granting or withholding of credit was not infrequently predicated upon the favorable or unfavorable showing of this ratio.

As other ratios were developed, together with their significance in analysis, and, as other techniques and methods were established, the current ratio assumed a less dominating role. It was still regarded as the prime ratio, but it had to be supported by a number of other auxiliary and coordinate measures.

Among the auxiliary ratios that assist in bringing out the full implications of the relationship of current assets to current liabilities are such measures as the composition of the current assets and the current liabilities, the turnover of receivables and inventories, and the measurement of net working capital, or the excess of current assets over current liabilities.

Among the coordinate measures we find such ratios as net worth to debt, net worth to fixed assets, current assets to total debt, and many others that tell the credit man what the general financial condition is in addition to the narrow story told by the current ratio alone. We have found that the fixed debts, fixed assets, and many other factors, may materially influence the stability of a firm even though it has a favorable current condition.

For a number of years, however, an increasing amount of discredit has been heaped on the orthodox current assets to current liabilities analysis. The general tone of these criticisms is to the effect that the current ratio is inadequate, that it is even misleading, and that there are other measures as good or better that may be employed.

There is much justification for these attitudes. There are too many analyses that are restricted in scope, with too great reliance on a limited perspective of the credit prospect. Too many credit men place an excessive weight on the showing of a few ratios. For these reasons, as well as others, the current ratio has been receiving less attention; other ratios are supplementing it or occasionally superseding it. Some of the newer measures of credit conditions are the liquidity index, the acid test, and the application of funds statement.

In many cases criticisms of the current ratio are predicated upon a failure to understand the relationship of this ratio to others. One of the frequently overlooked factors is the intimate and inverse relationship between liquidity and velocity of circulation. A fuller knowledge of this relationship provides a background aiding materially in the understanding of the limitations and usefulness of the current ratio. In addition it gives it a fuller meaning and significance than is ordinarily provided.

An adequate understanding of the liquidity-velocity axis takes the credit man back one step to an appraisal of changes in general business conditions, and to changes in the business of the credit appplicant. As business expands, there is generally a rapid increase in debts, so that the current asset to current debt ratio declines.

For a simple example, let us assume that a concern starts with $200,000 of current assets and $50,000 of current liabilities, or a four to one current ratio. With the seasonal or cyclical expansion of business, the company may increase its inventories by $50,000, borrowing from trade creditors, or the banks for the funds. Its current assets now total $250,000, and its current liabilities amount to $100,000 for a current ratio of 2.5 to 1.

Under normal circumstances an enterprise should not expand its operations and increase its debt, as in the above example, unless it has orders or prospective orders for enough additional business to justify the expansion. Consequently, if the above company turned its gross working capital four times a year before expansion, it should do at least the same after. As a matter of fact, it should do better. During the usual seasonal or cyclical expansion of business, the volume of business should expand more rapidly than the assets or working capital.

With the expansion of business there is usually an increase in credit, either that provided by the banks, or by one company granting credit to another. As trade and manufacturing expands, volume will increase more rapidly than working capital for several reasons. As volume increases, credit turns over more rapidly; debts are incurred and quickly paid off. Volume of production, sales, and collections all expand.

The result is that a healthy business finds that its ratio of Sales to Current Assets or Sales to Working Capital increases at the very time that its current ratio is declining. Not only will the current ratio fall because of expanded borrowing, but the liquidity of the current assets will most likely decline because of increases in inventories and receivables without a commensurate increase in cash.

When conditions are changed and seasonal or cyclical contraction begins, these factors reverse themselves. Volume of business declines more rapidly than the credit upon which it is partly based. Collections become slow and difficult. Thus the Sales to Current Assets or the Sales to Working Capital ratios will decline, since sales will shrink faster than current assets or working capital. The next step is the repayment of current debts. As the

as factors in credit analysis

trade credits or bank loans are repaid, the current ratio rises and appears more favorable in the face of declining business. Gradually, as the inventories are reduced, the liquidity of the current assets improves. Thus with slackening business we find declining velocity of circulation of capital counter-balanced by improved liquidity and higher current ratios.

A very clear example of this relationship has been provided by the data just published in "Signs of the Times" by Roy A. Foulke. A very small segment of these data is given below for manufacturers of men's and boy's clothing, taken from pages 26 and 27 of this study.

Year	Number of Concerns	Current Assets to Curent Debt Ratio	Turnover of Net Working Capital Ratio
1932	167	5.59	4.49
1933	238	4.24	4.93
1934	252	3.55	5.06
1935	259	2.87	5.49
1936	280	2.83	5.80

These figures show very clearly that during the cycle of business improvement the current assets to current debt ratio declined, apparently an unfavorable situation reflecting declining liquidity. In 1932 current assets were 5.59 times current debt; by 1936 they were but 2.83 times current debt. On the other hand the turnover of working capital increased during the same years, showing a greater velocity of circulation of funds through the working capital. In 1932 business volume was 4.49 times net working capital. As volume increased the turnover mounted to 5.8 times the net working capital in 1936.

By which of these factors should the credit man be guided—by liquidity or by velocity of circulation? Frequently we hear of the great liquidity of the banks; of the liquidity of business. When a bank or business has little demand for its services or goods, conditions are not normal or healthy. The highly liquid business with a stagnant circulation of capital or volume of business is not healthy. Extreme liquidity is attained at the expense of proper volume of business and circulation of working capital.

Frequently a reasonably low current ratio and not too high liquidity of current assets when accompanied by a rapid circulation of capital because of jobs flowing through the plants and accounts of a business, will prove a far better credit risk than the opposite situation.

The satisfactory borrower must present a proper balance between the liquidity of his current assets and the volume or circulation of his assets and working capital. If he leans too far in either direction there will be an unhealthy situation. Too great liquidity means idle funds, lack of demand, and sluggish circulation or low velocity of capital turnover.

A business of this type may be likened to a massive tractor with tremendous power but too cumbersome to travel comfortably and quickly. On the other hand a low liquidity accompanied by rapid circulation of capital may make a business appear like a racing car with great speed but ineffective braking power. Either extreme is undesirable. The sound credit risk must have an adequate balance of brakes and power, or of velocity of working capital circulation and of liquidity.

Just what constitutes a satisfactory balance will depend on many factors, but most important of all is the general business condition and the direction in which business is moving. Like most other ratios, adequate standards must be determined by judgments based on analyses of data for the company or industry. Perhaps the most important point, however, is to examine these factors together, and appraise them in relation to one another, keeping in mind their intimate, but inverse, relationship to one another. If this is properly done the time-worn current assets to current liabilities ratio will assume a fuller significance in credit analysis.

Hours and wages laws

In 1937, two States—Pennsylvania and North Carolina—enacted comprehensive laws regulating the hours of labor of men in private employment. Prior to that time, there had been little legislation of general applicability except in the case of certain unhealthy or hazardous trades. The Pennsylvania law places the limitations at 44 hours per week, 8 hours a day, and 5½ days per week. It does not apply to agricultural labor, domestic servants, or persons in higher-paid executive or professional work. The North Carolina law limits the hours of labor of men to 10 per day and 55 per week. There are, however, a number of exceptions and the law does not apply to an employer of 8 or fewer employees.

Great expansion in legislation setting standards of minimum wages and maximum hours for women and minors has taken place since the Supreme Court upheld the constitutionality of the minimum wage act of Washington. Acts which had been in abeyance were revived and a number of new acts were passed. At the end of 1937, there were minimum wage acts in 22 states, the District of Columbia, and Puerto Rico. Typical of the minimum-wage orders issued in 1937 was one fixing a minimum of $17 per week for women in Washington, D. C., retail stores and a Massachusetts minimum of $14.40 per week for women in the candy industry.

Answers to 15 questions on D.C. business privilege tax

The following questions are the ones that occur most frequently in inquiries received by the Washington Service Bureau of the National Association of Credit Men about the D. C. business privilege tax. The answers to these questions come from an authoritative source and should prove helpful to firms whose products are sold in the District of Columbia.

(1) We receive business from the District as a result of our mail and advertising campaigns. We have no District office and no representative calling in the District but we do use the telephone, mail and telegraph in connection with our District business.
Are we subject to the license and tax requirements?

A. Not unless you make deliveries into the District in your own equipment or on C. O. D. orders.

(2) Some of our shipments to the District are made f.o.b. Chicago—in others we retain title to the goods until delivery is made in the District by mail, express or freight. We do not have a District office and no sales representative calls in the District.
Does the point of "where title passes" affect our liability to this tax?

A. The Corporation Counsel has ruled that liability to the tax arises in such cases only where delivery is made in the equipment of the seller or on C.O.D. orders.

(3) We have a "service man" operating in the District.
Do his "service activities" necessitate a license and make us liable to the tax?

A. If the representative is purely a service man and solicits no orders or engages in no commercial activity other than the performance of service activities, no license is required and there is no liability for the payment of tax.

(4) Our D. C. "service man", without solicitation, receives orders for replacement parts etc., and occasionally for new units, which he forwards to us. Does this make us liable to the tax and license?

A. It is thought that the orders for replacement parts etc. or new units result directly from a commercial activity in the District, and therefore, a license would be required and the gross receipts derived from such orders should be reported and the tax paid thereon.

(5) We have been advised that companies doing interstate business are not subject to this tax.
Is this correct?

A. Section 1(e) of Title VI, as amended by the Act of May 16, 1938, provides that the term "business" shall include the carrying on or exercising for gain or economic benefit, either direct, or indirect, any trade, business, profession, vocation or commercial activity *in any commerce whatsoever* in the District. In Section 18 provision is made for the proper apportionment and allocation of gross receipts with respect to sources within and without the District.

(6) What is meant by "doing business" in the District?

A. Definition of business as stated in the answer to Question (5) is very comprehensive and includes any commercial activity in the District of Columbia. Although the term "commercial activity" has not been defined by the courts, it is thought that it includes any activity in the District of a commercial nature.

(7) Without personal solicitation we sell to wholesalers in the District—they sell our products through their salesmen to retailers in the District.
Are we liable for the tax?

A. If there is no solicitation or delivery within the District in the delivery equipment of the seller or on C.O.D. orders, there would appear to be no liability to obtain the license or pay the tax. It is immaterial whether sales are made to wholesalers, retailers or others, the sole question being whether or not there has been any commercial activity in the District.

(8) We have a salesman call in the District once or twice a year. In our line the salesman seldom receives an order. Our orders may not come to us until months after our salesman calls. Must we apply for a license and are we liable to the tax?

A. If the salesman solicits orders it is necessary to obtain a license. However, if no orders are obtained as the direct result of such solicitation there is no business upon which the tax might be measured.

(9) Our business in the District is done by mail, telephone, etc. A company representative occasionally makes a "good will" or "courtesy call" in the District, which while not a "business solicitation", might conceivably bring us some additional business.
Do these "courtesy calls" render us liable to the tax and license provisions?

A. If the representative solicits no orders or engages in no other commercial activity it is not necessary to obtain a license or pay any tax. If the representative does solicit or engage in any other commercial activity it is of course necessary to obtain a license, and if business is obtained as a direct result of such solicitation the gross receipts derived from such business should be reported and the tax paid thereon.

(10) Our sales representatives sell D. C. jobbers and the jobbers in turn sell our products to D. C. retailers.
Does this not constitute a triple tax on our products and must we all pay it?

A. Title VI imposes a tax for the privilege of engaging in business in the District of Columbia. The tax is not upon sales but the receipts derived from sales are used merely as a measurement of the tax. The fact that receipts from the resale of the same article may be used by different persons as a measurement of the tax due is not objectionable.

(11) Our business in the District is done with the Government as a result of successful bids made from our St. Louis office.
Are we liable to the tax on this Government business?

A. Not unless some service or other commercial activity is performed in the District.

(12) In connection with our bids on Government purchases, our company representative calls on Government Agencies in the District to check specifications, explain and demonstrate our equipment, etc. We prepare and submit bids from our Cleveland headquarters.
Does this representative's activities require a license and must we pay the tax on this Government business?

A. The Corporation Counsel has ruled that the submission of bids by a firm having no office or place of business in the District to the Governments of the United States or the District of Columbia is not a commercial activity. Since business may not be obtained from the Government by solicitation, the activities of the representatives referred to are in the nature of missionary work and no license is required to engage in such activities, and since no receipts result from such activities, no tax is payable.

(13) We maintain a D. C. office to handle details in connection with our business with the Government. This office has continuous personal contact with Government Agencies in connection with our bids, makes a follow-up on all business and performs service functions and similar activities.
Does the maintenance of this office render us liable to the tax on this Government business
(a) when shipments are made into the District?
(b) when shipments are made throughout the United States and abroad?

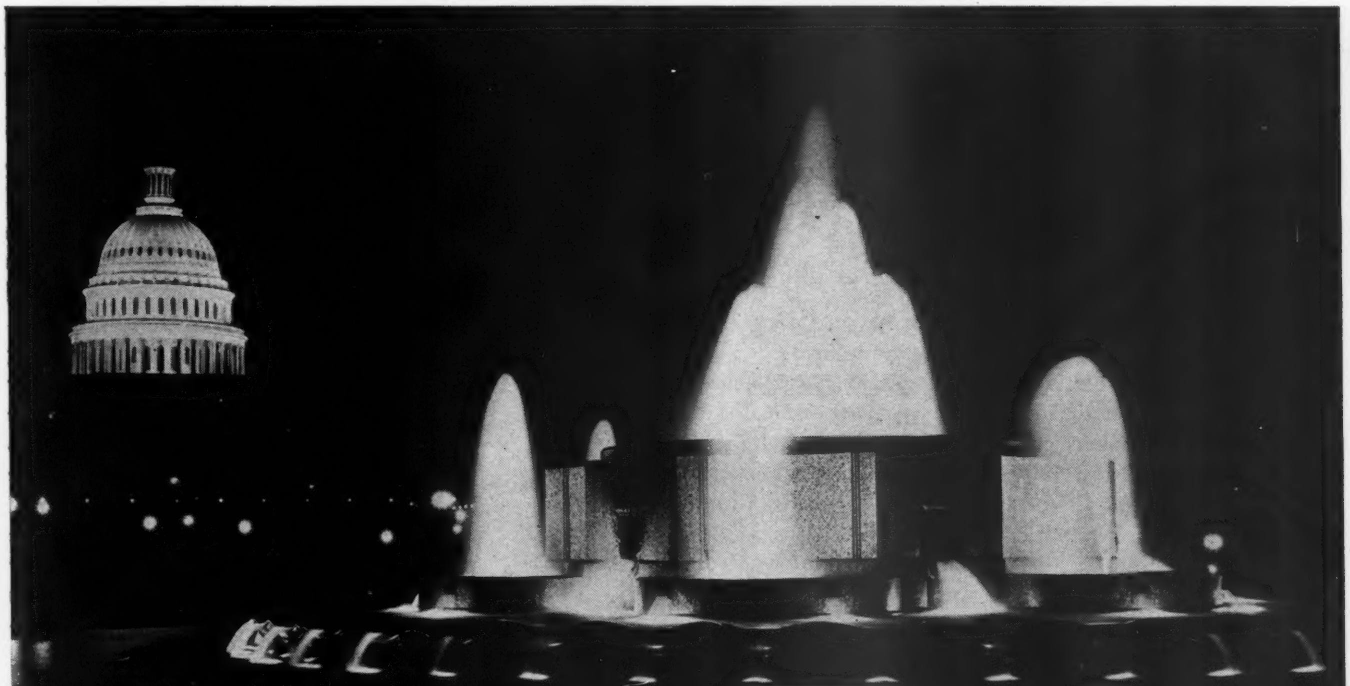
A. (to both (a) and (b)). If bids are prepared and submitted by the District of Columbia office it would appear that there has been some commercial activity in the District and that the receipts therefrom representing that part of the business done in the District of Columbia are subject to the provisions of Title VI. If, however, bids are prepared without the District of Columbia and the local office merely delivers the bid to the Government Department and performs services similar to those referred to in Question (12) and no deliveries are made within the District in the delivery equipment of the seller, no license is required to engage in such activity and no report of gross receipts is required.

(14) A Commission Agent in Washington represents us in connection with Government business. His functions cover both service and sales promotion activities.
Are we liable for the tax
(a) if our District Agent takes orders for us under a general contract awarded by the Government?
(b) if the orders are sent direct to us by the Government?

A. (to both (a) and (b)). Same as answer to Question (13).

These questions and answers are, necessarily, general in character. The Washington Service Bureau of the National Association of Credit Men will try to answer any specific questions that our readers may have on this tax and will supply, upon request, license application blanks, tax regulations and report forms. Inquiries may also be directed to the Administrator, Business Privilege Tax, District Building, Washington, D. C.

A "fountain of knowledge" concerning government-business relations is the Washington Service Bureau of the N. A. C. M. which prepared this article on the much-discussed D. C. tax.



Latin-American export credits

The Export-Import Bank again is initiating a drive to assist American exporters in efforts to expand trade with Latin America, an editorial in the New York "Journal of Commerce" points out. Large credits for financing exports have been opened to meet intensified European competition, according to reports. In view of the huge export surplus piled up by this country in the past six months, however, hopes should not be raised that a policy of freer credit extension alone can bring about a substantial increase in exports to that region. Achievement of this goal must be accomplished by larger imports from such nations, the editorial declares.

During the first half of the current year exports to all countries have exceeded imports by $631,000,000. The huge export surplus has been accounted for largely by the drastic curtailment of imports since exports have increased only 12 per cent over last year's comparative total. Our imports from Latin America for the first half of last year exceeded exports by $85,000,000, laying the basis for the expansion in exports that occurred subsequently. Now, the situation is reversed. Our trade with Latin America shows an export surplus of around $45,000,000. Naturally, this situation restricts the purchasing power of those nations to whom we export and ultimately threatens to curtail our exports. Such is the case in many Latin-American countries, according to the editorial.

Argentina, for example, this year has an import excess of 35,000,000 pesos for the first six months, as contrasted with a surplus of exports equaling 740,000,000 pesos in the corresponding period last year. The major reason for this reversal in trade balance is trade with this country. Our exports to Argentina have risen 25 per cent, while our imports have fallen 78 per cent. Great Britain and Germany, on the contrary, have sold slightly less to the republic and yet their imports from Argentina have been much better sustained.

The expanding volume of American exports to Argentina has occurred despite a discriminatory exchange rate which increased the cost of American

1938: Credit Interchange Year

Credit where credit is due

The material entitled "Getting the Cash" which appeared in our August issue on page 14, and which we reprinted from the "Service Bulletin" of the Grand Rapids Association of Credit Men, we have learned since its publication, should have been credited to Mr. David Turtledove, Collection Manager of the Portland Association of Credit Men.

And just in case you didn't get around to reading it, this gives us an opportunity to call your attention to a practical item concerning collection problems.

goods by 20 per cent during the first few months of the year. This levy was not vindictive and was removed several weeks ago. Instead, the Argentine Government now is trying to limit imports to semi-luxuries by not granting exchange freely. Such action is taken reluctantly but motivated by necessity, according to Argentine authorities. In such a situation, extension of export credits by this country would appear of doubtful value.

In the case of such countries as Brazil and Cuba, however, export credits may assist American exporters. Both these nations export considerably more to the United States than they import from us. Moreover, Brazil has greatly increased the proportion of her German imports during the past year or more owing to barter arrangements. Accordingly, export credits may assist American exporters to regain markets, particularly since German-Brazil relations have been disturbed recently.

Aside from such special situations as that existing in Brazil, American exporters cannot hope to increase the volume of sales to most Latin-American countries by freer extension of credit through the Export-Import Bank. This country must expand its imports to more nearly normal levels before a mere granting of credit facilities can be expected to improve export volumes generally.

Losses principally come from lost interest on accounts carried too long rather than on accounts charged off as uncollectible.—The Credit Bureau of Dayton, Ohio.

Are sales taxes fair to the public?

Sales taxes are new in the United States. In 1929 they existed only in Georgia and West Virginia. But today nearly half the people in this country pay such taxes when they buy at retail, according to a study by The Twentieth Century Fund.

Sometimes the customers know they are paying sales taxes; sometimes they do not. Sometimes the taxes are openly stated; sometimes they are hidden.

Are these new taxes in the public interest?

The Twentieth Century Fund's Special Committee on Taxation finds that the advantages of sales taxes are chiefly these three:

1. They can produce for state governments a large amount of money on short notice. In some cases, therefore, they may help states to maintain a greater financial independence from the federal government. In a few states they supply more than one-third of the total revenue of the state government.
2. They produce a flow of revenue which varies somewhat with changes in business activity, but which none the less is comparatively steady.
3. They produce "a moderate degree of tax consciousness." When the taxes are not hidden, the payer is aware of his share of the burden of government expenditures.

But, the Committee says, "to be acceptable as a permanent part of the tax system, sales taxes ought to have certain other virtues that they conspicuously lack." These missing features are summarized as follows:

1. Sales taxes do not easily take account of the taxpayers' abilities to pay—except in the rough fashion that the more a person spends the more he pays. But poor people spend more of their incomes than rich people of theirs. Therefore, the sales tax takes a larger percentage of the poor man's income than of the rich man's, since it is levied at a flat, not a progressive, scale. Moreover, the sales tax cannot easily take account of the difference between persons who spend the same amount. For example, one man may be spending relief money, another, his own wages. One man may have heavy family obligations; another, none. One may draw all his income from investments; another, all from salary. The sales tax can't differentiate.
2. Sales taxes have no overwhelming advantage in ease of administration. On the contrary, their cost of administration is fairly high — often between two per cent and four per cent of revenue. The cost would have to be still higher if evasion were to be practically eliminated among all the smaller retailers.
3. Much of the sales tax must often be borne by merchants who cannot shift it to consumers. For the small merchants, under heavy financial pressure, this may be an unfair and unbearable burden.

Balancing the advantages against the disadvantages, the Taxation Committee of the Twentieth Century Fund finds the shortcomings of the sales tax greatly predominating, and for the reasons stated above "Recommends that sales taxes be repealed, except in those states where pressing fiscal needs make such a step absolutely impracticable."

A credit to "Credit"

Sirs:

We wish to thank you for a copy of the July issue of "Credit and Financial Management," in which appeared the article "Social Security and our Credit System," by Professor L. A. Cusack of Creighton University in Omaha. This is a very scholarly article and a credit to any publication.

Very truly yours,
EMMETT H. DUNAWAY,
Manager, Field Office
Social Security Board
Omaha, Nebraska

The 1937 rice crop exceeds that of last year by 2,500,000 barrels.—"National Grocers Bulletin."

Auto installment sales experience

The experience of installment finance companies handling automobile paper has been considerably different during the current depression from the record established during the 1930-1933 period, a recent editorial in the New York "Journal of Commerce" points out.

Statistics gathered by the National Association of Sales Finance Companies, it states, showed that 4.2 per cent of all cars sold on the installment plan, used and new, were reposessed in 1929, the record automobile year. In the following year, the first of the depression, repossessions were 5.4 per cent of new and used car installment sales. Only in 1931 was there a sharp jump in repossessions to 8.5 per cent of such sales, while in 1933, with the coming of recovery, the percentage dropped to 5.7 per cent.

Between 1933 and the beginning of 1937, in fact, repossessions varied from 2.2 to 2.9 per cent of new car sales sold on time, and 7.2 to 10.7 per cent of used cars sold in that way.

In 1937, however, the first year of the current depression, repossessions jumped to 9.4 per cent of total installment automobile sales, the highest recorded since such statistics were gathered except for 1932. Whereas, during the last depression, repossessions crossed 10 per cent of installment sales only in the third year of deteriorating economic conditions, the first year of the decline in business in the current recession witnessed an increase in total repossessions almost to the 10 per cent level. (*Continued on page* 33)

This month's collectors:

Submitted for the approval of our readers

by George Wilmer, Credit Manager

William Cooper & Nephews, Inc., Chicago, Ill.

Gentlemen:

NO BEATING AROUND THE BUSH.

It's not our job to concoct excuses for you, giving this or that as perhaps the reason for not having paid our bill. We're not playing a guessing game. You know the answers, we don't.

If you feel our account is wrong, we know you will tell us why you think it is, and if it is right, you'll send your check.

Very truly yours,

Your account consists of:

Terms: 2% ten days, 30 days net.

1937			
11/30	4008	2-50 gal. drums Saponified Cresol	$65.00
12/15	4637	1 case Dipping Powder	16.50
		1 case Medico	12.50
			$94.00

Gentlemen:

ARE YOU AN EXCEPTION? No, we don't believe you are.

It's perfectly natural for anyone to want others to speak well of them.

When others inquire about the way you take care of your account, nothing would please us more than to honestly speak a good word for you.

Send us your check for the amount due and give us a chance.

Very truly yours,

"Attached find two copies of collection letters which I have used on several occasions recently," Mr. Wilmer writes in submitting his letters. "Inasmuch as they seem to have the desired effect, I am sending them on to you.

"I have tried them on some accounts that were several months old, and again on some that were only a little past due, and so far as my experience is concerned they seem to bring in the cash."

A great deal of collection letter writing, however, can be obviated if proper care is taken in analysis of credit responsibility. The most fundamental, up-to-date method ever devised for knowing just how worthy your credit applicant is as a risk has achieved foremost standing among credit executives because it is based on the current record: The Credit Interchange System of the N.A.C.M.

Auto installments

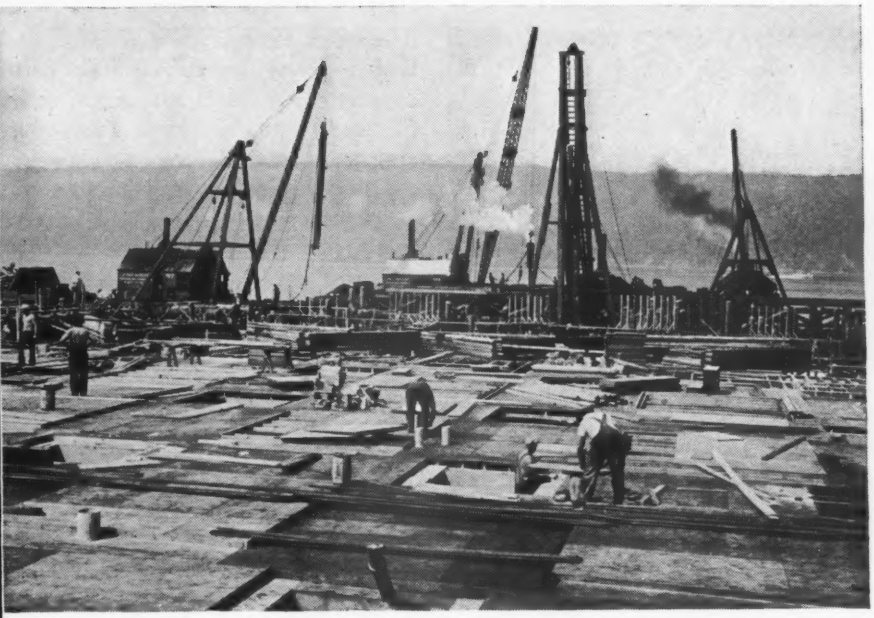
(*Continued from page* 31)

One explanation, says the "Journal of Commerce," is found in the fact that so many car buyers had reserves that they could draw upon during the early part of the last depression to meet installment payments due, even when current earning power became curtailed. This was true to a lesser degree during the current depression. More important, however, was the larger percentage of cars, particularly used cars, sold on the installment plan. In 1929, a total of 1,656,000 used cars were sold in this way. In 1937, the number was 2,453,000.

It has been reported that the experience of finance companies and automobile dealers has improved this year. Should prospects of a material improvement in business materialize, it is probable that 1938 will witness a decline in the percentage of repossessions to installment sales, contrary to the 1930-1933 experience.

Estate tax administration

The cost of administering state inheritance and estate taxes was higher in Mississippi in the fiscal year ending in 1935 than in any other state in the country for which figures on this cost are available. According to a volume "Studies in Current Tax Problems," recently published by the Twentieth Century Fund, Mississippi spent 15.5 per cent of the revenue from its death duties for administration of the tax. The national average cost in 1935 of collecting state inheritance and estate taxes was 0.9 per cent of the revenue derived from them.



Insurance digest

Fire losses

The best way to indicate the trend of fire losses in the United States in recent years is to give the total fire loss figures for the three most recent five-year periods, Percy Bugbee, Assistant Managing Director of the National Fire Protection Association said recently in "The New York Journal of Commerce." For the years 1922-1926, inclusive, the total fire loss amounted to $2,716,000,000. The losses during the following five-year period from 1927-1931, inclusive, were $2,351,000,000. The losses for the five-year period from 1932-1936, inclusive, were $1,490,000,000.

As the loss estimates for 1937 indicate that the loss of that year was less than in 1936, the picture given by the figures noted above is not materially changed. It is interesting to discuss some of the factors responsible for this amazing reduction in fire loss in the few years, Mr. Bugbee continues.

Because of the very heavy losses of the period from 1922-1926, the National Fire Protection Association undertook a campaign on a large scale basis to see if the municipalities of the country could not be brought to realize the needless and disastrous waste of life and property from fire. Studies were made of the fire loss situation in a large group of cities that had had unfavorable fire records and as a result of these studies it was decided to call upon the industrial leaders of the country to underwrite a persistent and comprehensive campaign for municipal fire waste control.

The success of this campaign placed the field service program of the National Fire Protection Association on a permanent basis and for the past dozen years competent fire protection engineers have been visiting regularly all of the important cities in the United States to organize local fire prevention work and to investigate and report on the factors responsible for the fire loss record in any community.

Over ten thousand visits to approximately 350 cities of the United States and Canada have been made by the field engineering service during this period. This steady and intelligent attack upon the fire losses of our cities must necessarily have had an important effect in the substantial reductions in losses that the country has experienced.

Probably the most important result that has been secured from this campaign has been the gradual change-over of fire departments from water-throwing agencies to fire prevention agencies. Today it is the generally accepted practice of fire departments everywhere to make day in and day out efforts to prevent fire as well as to fight fires that occur. In all of the large cities of the country may be found fire prevention inspection divisions in the fire departments, made up of competent inspectors whose duty it is to supervise inspections by the regular firemen of all mercantile and industrial properties throughout the city and to make special inspections of special fire hazards as they arise.

This change of attitude of fire departments toward their work and this tremendously increased amount of day to day inspections for fire hazards is perhaps the most important single factor in effecting the substantial reduction in losses. As the hazards of manufacturing and mercantile properties have been gradually eliminated through such inspection work, it is but natural that the trend of losses has changed from this type of property to the dwellings.

The latest development in fire prevention work has been the establishment of a procedure for the regular inspection of common fire hazards in dwellings. Quite a large number of fire departments now carry on this service as a matter of course. Through it, they have brought about tremendous reductions in dwelling fires. While it is not as a rule legally possible to force the inspection of anyone's dwelling, it can be accomplished by persuasion. Few people will resent or resist the inspection of their home for fire hazards when the fire department makes it plain that their interest is in saving lives and property.

Another important development in fire control which has been of recent origin is the tremendous increase in the amount of training given to firemen in their profession. Within the last four or five years training schools for firemen have sprung up in all parts of the country. During 1937 well over 50,000 firemen were given instruction in operations and technique of fire fighting in these training schools. Many of these men represented small departments which necessarily do not have the facilities and equipment for a permanent training school of their own. The larger cities are helping their smaller neighbors and the drill towers and drillmasters of the larger fire departments are being used as centers for training to which the surrounding small town fire departments may come. The effect of this widespread training makes for better efficiency and also brings about that pride in the fire fighting profession which is so important in this hazardous and not too well paid field of activity.

Another important factor in the reduction of fire losses has been the country-wide recognition of the need for curbing the criminal who deliberately sets fire for gain. Indications are that incendiary fires reached a new low level during the past year.

One favorable effect of the prolonged business depression of recent years has been the wholesale removal of old and dilapidated buildings in many of our cities because of the desire to get rid of paying unnecessary taxes. In many cases the land was more valuable for parking than with the old building upon it. Everyone is familiar with those new open spaces scattered through all of the larger cities but may not have recognized that the removal of the old structure is a positive benefit to the community from the fire standpoint.

Q's. and A's. about Extra Expense insurance

Q. What is Extra Expense Insurance?

A. Suppose a business block to have been destroyed or severely damaged by fire. Extra Expense insurance, as the name implies, will provide for the extra expenses of operating the business while the premises it normally occupies are being repaired or restored.

Q. Does Extra Expense insurance cover loss of earnings resulting from reduction of business income?

A. No. Such loss can be covered only through the medium of Use and Occupancy insurance.

Q. Name a few businesses or institutions that need Extra Expense insurance?

A. Newspaper publishers, banks, electric light and power companies, orphanages, poor houses, old people's homes.

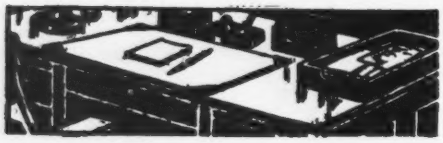
Q. Why is Use and Occupancy insurance frequently inadequate to take care of the full needs of newspaper and similar businesses?

A. Because the amount of extra expense to continue operation of the assured's business frequently exceeds the possible recovery under the "expense to reduce loss" coverage of the Use and Occupancy policy. This is especially so when the assured's earnings are not large and the U. and O. value is consequently low.—"Fire Insurance."

Strikes

There have been industrial disputes since the beginning of our national history. The causes of these early disputes and the tactics pursued by the strikers and the employers bear close similarity to those existing today. The first quarter of the nineteenth century saw the introduction by the workers of the walking delegate, strike benefits, the use of the general strike when an individual strike proved ineffective, picketing, social ostracism and sometimes physical violence toward "scabs," and the use of the militia and the courts by the employers and public authorities. The number of strikes has not consistently increased with the growth of our industrial population, only a few more strikes occurring in the 1920's than in the 1880's. While the trend of strikes tends to follow the business cycle, there has been less strike activity in some years of prosperity than in depression years.

On offices



Visible books

A new line of visible books has been introduced by Yawman and Erbe Mfg. Co., Rochester, N. Y., we note in "The Office." The books have been reduced in weight through the use of fiber card holders, aluminum trays and basswood frames. The tray and back of the books are of aluminum alloy, encased in a basswood frame with a heavy weight fabrikoid cover. Book hinges are reinforced with heavy canvas strips on both the inside and outside of the hinge. A new card holder or fiber stick is used into which cards may be easily inserted or removed. The books have been made for 8″ x 5″ and 6″ x 4″ cards. Each holder is designed to accommodate two cards with a provision for quarter inch visibility and offsetting cards to the right.

New cabinet for Dictaphone

The new Dictaphone "Progress" cabinet has been introduced by the Dictaphone Sales Corp., 420 Lexington Ave., New York City, "The Office" reports. Featuring an automatic dictation folder, this new cabinet contains a special built-in compartment for dictated material. As each folder of dictated material is removed the next folder automatically drops into place. The new cabinet also contains a compartment which holds eight Dictaphone cylinders. It has been designed as a moderately priced unit.

Anti-price discrimination and sales below cost in Oregon

An analysis of the Oregon "Anti-Price Discrimination Act" has been prepared by Layton and Boyrie, Attorneys at Law in Portland, Oregon. Wm. B. Layton of this firm is the National Association of Credit Men's Legislative Counsel.

The analysis, besides the complete text of the act, presents various aspects of the anti-discrimination provisions as well as the sales below cost provisions. The Oregon act went into effect on May 21, 1938, and the booklet stresses that it should not be confused with the "Fair Trade Act" which applies only to goods bearing a trade mark or trade name.

The Oregon "Anti-Price Discrimination Act" in legislating against discrimination in intra-state commerce follows substantially the Federal Robinson-Patman Act.

Approximately 20 states have now adopted similar acts and the booklet points out that although the Oregon act is called an "Anti-Price Discrimination Act" nevertheless "a large part of the act deals with the subject of sales below cost which is not related to the question of price discrimination, except in its supposed effect upon competition and monopoly. Some states have only anti-price discrimination provisions, others have only sales below cost provisions.

"The acts in the different states are aimed at the same practices and similar in general outline but differ widely in their particular provisions. In fact, every statute shows some local touches due to the pet ideas of particular groups or persons. All reflect some compromises necessary in the particular state to insure passage of the act there."

How fixed are "fixed" charges?

It is quite generally recognized that in the conduct of any business there are certain minimum, inescapable, unavoidable expenses loosely termed fixed charges. The most prominent of these is rent, or the equivalent thereof incurred for providing premises or facilities for operations. But many of the so-called "fixed" charges are not really fixed; they have variable elements in them which change with fluctuations in the volume of business, it is pointed out by Hartford Chapter, N. A. C. A. in "Connecticut Industry."

The classification of some types of expense hinges upon executive decision, as management from time to time may modify its views with respect to their responsibilities and obligations. Certain other expenses are superimposed by reason of trade policy, expediency or contracts such as with labor unions.

Perhaps a reasonably broad definition of a fixed charge is, that it is that part of cost which has no relation to volume. Fixed charges should not be construed to include only items relating to physical assets. Some others are just as real and certain, such as

salaries. A going concern cannot dispense with its manager or superintendent. The brains, experience and intelligence of certain key men must be retained regardless of production or lack of it, unless liquidation is to ensue.

To what extent depreciation is a fixed or variable expense in any plant is clearly a matter of fact to be determined by analysis and consultation between the accounting and production departments. The chief contributory factors of depreciation, using the term in a broad sense, are wear and tear, decay, inadequacy and obsolescence. It is obvious that buildings would be susceptible to practically all these factors; but the amount of wear and tear on machinery and equipment, ordinarily, has a definite relationship to the number of days, hours or shifts the plant may be operating.

Fixed expenses are charged into costs by being distributed to departmental or production center overhead and thus absorbed with other allocated burden, to the cost of goods produced. Such absorption is usually made on the basis of normal production and operations in order not to distort the price basis if sub- or abnormal conditions prevail.

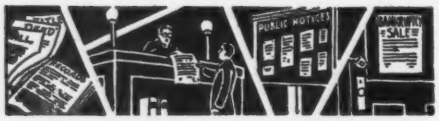
There are many methods of applying overhead. A percentage of direct labor cost is simplest and easiest to operate. The severest criticism of this method is that it is based on cost rather than time, and overhead bears more of a relationship to time consumed than to labor cost.

The direct labor hours method, however, is based upon time which is the chief reason for its accuracy. It is simple to use, but is inaccurate where machine and bench work are performed in the same department. However, where a factory is properly departmentalized, this condition should not exist. An even more satisfactory plan is to apply the overhead on standard hours where definite time standards have been established for each job.

The machine hour method is sometimes used. All overhead expenses are charged directly to the machine and divided by the hours of machine operation to arrive at the overhead rate per machine hours. Use of the machine hour rate does not mean that a separate rate is calculated for each machine as similar machines may be grouped and a machine hour rate secured which may be used for each machine in the group.

There are other methods of applying overhead but those described are the most common. No one method can be considered as best for all industries and it is frequently desirable to use more than one method in different departments of the same plant.

Court decisions



MOTOR CARRIERS—PRIVATE CONTRACT CARRIER AS DISTINGUISHED FROM A COMMON CARRIER. Ace High Dresses, Inc. v. J. C. Trucking Co., Inc., Connecticut Supreme Court of Errors, April 21, 1937.

The J. C. Trucking Co., Inc., was authorized to do a general trucking business for the public generally, but as a matter of fact confined its operations to the transportation of dresses between Connecticut and New York under contracts with particular dressmaking establishments. It lost through robbery, while in its possession, a truck load of dresses belonging to the plaintiff. The plaintiff sought to hold it liable as a common carrier, under the rule that a common carrier is liable for the loss of goods entrusted to it, not caused by the act of God or the public enemy.

But the court held that the corporation was a contract carrier and not a common carrier; that there was an absence of a showing that it had held itself out to the public as a carrier, ready to engage in the transportation of goods generally, or that it held itself out as willing to carry dresses for all who might apply for transportation, or without first entering into a contract for such carriage.

The controlling factor is the public undertaking, either express or implied from a course of business, to carry for hire the goods of all persons who may apply for such carriage. The fundamental distinction is that the private carrier enters into a contract with each of his customers and assumes no obligation to carry for any other, while the common carrier undertakes to carry for all persons indifferently. The fact that the corporation was authorized to do a general trucking business for the public is not of importance since the test is not what it was empowered to do, but what it was actually engaged in doing.

LABOR — NATIONAL LABOR RELATIONS ACT — CONSTITUTIONALITY AS APPLIED TO EMPLOYEES IN A MEN'S CLOTHING FACTORY. National Labor Relations Board v. Friedman-Harry Marks Clothing Company, Inc. United States Supreme Court, April 12, 1937.

The National Labor Relations Board required the respondent, Friedman-Harry Marks Clothing Company, Inc., to cease and desist from discharging any of its employees, or otherwise discriminating in regard to the conditions of their employment for the reason that they joined or assisted the Amalgamated Clothing Workers of America, etc.

The Circuit Court of Appeals refused to enforce the order, but the Supreme Court reversed the Circuit Court and held that the objections to the construction and validity of the National Labor Relations Act in this case were without merit.

The Board found that the respondent was a Virginia corporation with its plant at Richmond where it engaged in the purchase of raw materials and the manufacture, sale and distribution of men's clothing. 99% of its principal materials, i.e., wool and worsted goods came from states other than Virginia. Of the garments manufactured by the respondent, 82% were purchased by customers outside the state, mainly by department stores and men's clothing stores in the larger cities throughout the country. The respondent maintains a sales office and show room in New York through which about 20% of the total sales are made. The Board also found that the men's clothing industry is an industry which is nearly entirely dependent in its operations upon purchases and sales in interstate commerce and upon interstate transportation. It also found that the Amalgamated Clothing Workers of America is a labor organization composed of over 125,000 people employed in the industry and that the period before the recognition of the union was marked by long and bitter strikes; that now the Amalgamated has collective agreements with manufactureres employing the greater number of clothing workers in the United States which have brought peace to that part of the industry. The Board found that in the summer of 1935, employees of the respondent had formed a local union and that the respondent's management at once indicated hostility to it and declared that it would not permit its employees to join the union.

The Board concluded that the discharges in question were because of membership in the union and activities in connection with it. The Supreme Court held that the findings of the Board both as to the nature of the respondent's business and the circumstances of the discharge of its employees, was supported by the evidence and that for the reasons stated in its opinion, in National Labor Relations Board v. Jones & Laughlin Steel Cor-

poration, the objections raised by the respondent to the construction and validity of the National Labor Relations Act were without merit.

Public contract bill vetoed

The much discussed bill, H.R.146, to require contractors on public building projects to name their subcontractors, material men and supply men and to utilize the persons and companies so named, which was passed by both House and Senate during the recent session of Congress, was vetoed by President Roosevelt.

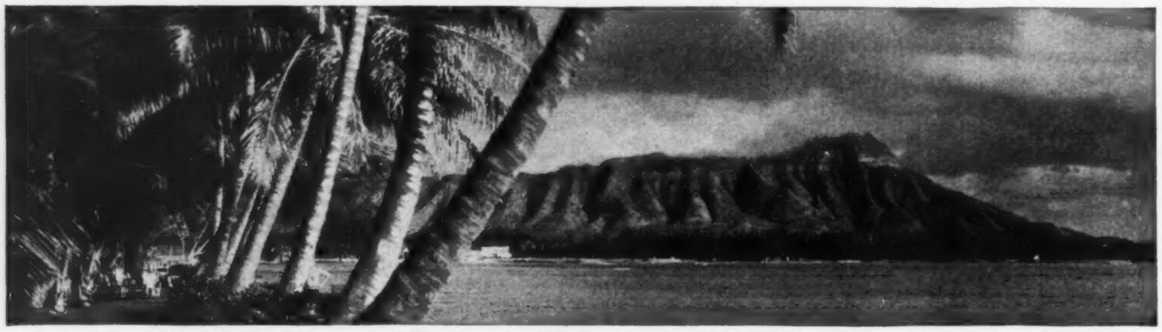
In a veto message, which appeared in the July fifth issue of the Congressional Record, the President stated that, while he recognized the evils of "bid-shopping" and favored any provision which would promote the prompt payment of the obligations of contractors for labor and materials, he did not believe that the bill would accomplish those objects but that it would merely create a multitude of administrative difficulties.

The message further expressed the belief that the enactment of the bill would greatly hamper the administration of the new public building and Public Works programs under way. The opinion was also expressed that the legislation would inevitably increase the cost of government construction.

Retail Co-ops

There were approximately 3,600 retail cooperative associations, with some 677,000 members, in the United States at the end of 1936. The total business of these associations in 1936 amounted to about $182,685,000. These estimates are based on reports received by the Bureau in the course of its general survey of cooperatives. Nearly $5,000,000 was returned in patronage refunds on the business done in 1936 by the associations reporting to the Bureau on this point. The cooperative grocery or general store was still the most common form of distributive association, but associations handling petroleum products had increased considerably in number. The store associations were found to be handling a wide variety of commodities, in some cases being able to supply their members with practically everything needed for the household or farm.

1938: Credit Interchange Year



Diamond Head and the harbor at Honolulu

NEWS ABOUT CREDIT MATTERS

A Section Devoted to Association Affairs

N.Y.C. Fraud Group Name W. G. Betsch

Appointment of William G. Betsch of William Iselin & Co., Inc., as Chairman of the Textile Fraud Prevention Prosecuting Committee of the National Association of Credit Men was announced yesterday by John L. Redmond, President of the New York Credit Men's Association and Vice-President of Crompton-Richmond Co., New York.

Active for many years in the fight to curb and eliminate the depredations of the commercial racketeer, Mr. Betsch succeeds Konrad F. Braun of Commercial Factors Corporation who has served as Chairman of the Committee for several years. Mr. Braun will continue as a member of the Committee.

As Vice-Chairman of the group, Mr. Redmond announced the appointment of James A. Stack, Stern & Stern Textile Importers, Inc., who as a former Chairman of the Committee has many years of experience in this activity. H. J. Delaney of Meinhard-Greeff & Co., Inc., has also consented to accept a vice-chairmanship.

The Textile Fraud Prevention Prosecuting Committee devotes its entire time and effort to supervising the fight against commercial fraud which is conducted through the operations of the Fraud Prevention Department of the National Association of Credit Men. This Department has during the past twelve years accounted for the conviction of 1640 commercial criminals. For estates it has recovered approximately two million dollars.

Wisconsin "U" to Give Study Course

Milwaukee.—The Milwaukee Association of Credit Men in cooperation with the University of Wisconsin extension division is contemplating an extended four semester program of study which will provide National Institute of Credit awards to those in attendance. The present plan contemplates starting the course late in September.

Hardware Age Editor Praises Activities of Our Association

Saunders Norvell, editor of "Hardware Age", in the June 16th issue said some very complimentary things about the National Association of Credit Men. We pass them along as we feel sure every member will be pleased to know what such a high authority thinks about our organization:

"There is one organization in the United States for which I have the greatest respect. I have watched the development of this organization from a small beginning a number of years ago, up to the present time. I have never attended one of its meetings. I do not know any of their officers. I have never exchanged letters with any of them. But whenever in the papers I see a report of the National Association of Credit Men, I always read it with interest, and I have seldom failed to gather information of value. This organization is constantly growing in strength and usefulness. Its president and other officials are often called upon by important bodies to make addresses, and also to give their opinions on business conditions.

"From what I read published by the National Association of Credit Men, these credit men actually seem to have developed into leaders. Several of the credit men I know, just by reputation, I am sure have a more profound appreciation of the conditions surrounding their business than some of the heads of those businesses."

Mr. Norvell stated in his editorial that his remarks about the National Association of Credit Men were occasioned by recent discussions on the important subject of credit and collections, which "today requires just as much thought in fact probably more thought than selling."

"I have always made the statement that the right kind of credit department, a department that understands the art of making collections without creating ill will, is an important part of the sales department. Of course there are all kinds of credit men. I have known certain credit men who had the art and the ability to collect money, even from slow accounts, and still hold the customers. Of course most of this work is done by letter, and this takes a past master at the art of letter writing."

Credit Institute at Ohio State U

Columbus.—Credit executives of Ohio and Eastern Pennsylvania will gather at Ohio State University on October 7th and 8th for a two-day Credit Institute. Members of the Retail Credit Men's Associations in Ohio will join in these sessions.

Henry H. Heimann, Executive Manager of the National Association, will be the dinner speaker at the close of the Institute. Honorable Paul H. King, Referee in Bankruptcy, of Detroit, will talk on the Chandler Act. Other speakers will be Hugh Wells, Secretary-Manager of the Cleveland Association of Credit Men.

Some Putter Is Sec. Ken Pfeil

Pittsburgh.—Credit men who think they are golfers will be interested in the record hung up by Ken Pfeil, secretary of the Wheeling Association, in a recent golf tournament held by the Credit Men's Association of Western Pennsylvania over the Wildwood course. Ken brought in a score of 83 which was the low gross of the tournament. His score card shows that he had but 27 putts for the 18 holes which is 9 strokes under par for this important part of a golf game. Tom Robertson, of the Pittsburgh and Fairmont Coal Company, won the championship with a score of 86.

Fielden to Promote Membership

Membership during the summer months, the usual "off season," has had a comparatively satisfactory showing. While there has been a slight loss, it is so nominal that it will not represent much effort to offset it when the Fall campaigns begin.

To reach the quota set by President Dan Bosschart, namely a net gain of 1500 members during the Association year, over 40% of our Associations already have begun preparation for their through-the-year program of Association selling. The careful preparation of prospect lists, selection of capable personnel for the committees, the circularization of prospects is in progress at many points.

The National Association again this year is furnishing free mailings of the National magazine and Executive Manager's Monthly Letter, and can supply other valuable promotional material. It is expected that the National sales representatives will work in collaboration with at least half of the local Associations this year.

Real membership gains have already been registered during the summer months by Louisville, Los Angeles, Indianapolis, Baltimore, Cincinnati, Atlanta and Dallas. These are only a few of many and other Associations can be depended upon to swing into line during September and October.

The National Membership Executive Committee, under the Chairmanship of immediate Past President Paul Fielden, is formulating its program of work for the year. Chairman Fielden will allocate definite districts to each member of his committee in which to supervise and stimulate membership activity. The personnel of this Committee and the assignments of its personnel will be issued at an early date.

Work on membership will be started this month by several of the important Associations.

Court Rules Broker Can't Get 2 Fees

New York.—An interesting decision on the brokerage clause of the Robinson-Patman Act was handed down in the U. S. Circuit Court of Appeals for the Second District of New York early in May. The decision which was given by Justice Martin T. Manton, with Justice Thomas W. Swan dissenting, covers the first ruling on the Robinson-Patman Act since it became law. The majority of the three-judge court ruled that the Robinson-Patman Act is not unconstitutional.

The feature of the decision which is of importance in commercial trade is based on the question of double brokerage, that is, the brokerage allowance from buyers and sellers. The brokerage company gets its compensation from the buyer and what is received in the way of compensation from the seller is passed along to the buyer.

The majority opinion of the court ordered the company to discontinue brokerage payment to its patrons as it made up a special form of discount which was not allowable under the Robinson-Patman Act.

Save With Interchange

SYMBOL

of

ACHIEVEMENT

A person wearing the academic key shown above is a "marked" man in the credit fraternity. This insignia distinguishes the wearer as having fulfilled by hard study the requirements for the awards of Associate and Fellow of the National Institute of Credit. It indicates that the possessor is truly a professional man, having qualified educationally for the duties and responsibilities of credit management.

ZEBRAFFAIRS

The Fourth Annual Round-up of the Royal Order of Zebras, presided over by Grand Exalted Superzeb Fred Cates of Los Angeles, will stay for a long time in the memory of those Zebras who attended the 43rd Credit Congress of the N. A. C. M. at San Francisco in June of this year.

The affair was Western in every respect and took the men back to the wild west days and the discovery of gold in California. Cowboy hats and handkerchiefs decorated each Zebra for the affair and some three hundred Zebras were in attendance.

Don Campbell, of the Fidelity-Phenix Fire Insurance Company of Chicago, was elected Grand Exalted Superzeb for 1938-39. Floyd Ferguson, of the Westinghouse Electric and Manufacturing Company, Pittsburgh, was chosen Most Worshipful Divizeb for the Eastern District, and Fred J. Bury, Credit Manager of the E. R. Godfrey & Sons Co., wholesale grocers of Milwaukee, Wisconsin, was named Most Worshipful Divizeb for the Central District. Herb Fletcher, of the Milk Bottle Dealers Exchange, San Francisco, was named Most Worshipful Divizeb for the Western Division.

Past Grand Exalted Superzeb, Art Johnson of the Los Angeles Wholesalers Board of Trade, gave a few remarks, as did National President Paul Fielden, General Convention Chairman Dan Bosschart, and others. It was regretted by everyone that Past Grand Exalted Superzeb Pa Perkins of Memphis, was not in attendance and the Grand Zebratary was asked to send a message of greetings to him.

Grand Exalted Superzeb Fred Cates was given a fine ovation when presented with a jeweled Zebra pin upon his termination of office after which he relinquished the gavel to the new Grand Exalted Superzeb, Don Campbell. During the week the Supreme Herders of the R. O. Z. conducted several meetings and rendered their report at the Annual Round-up and a detailed report of the meetings is to be released to all local Herds in the National System.

A vote of thanks was given the San Francisco Herd of Zebras for having conducted such an entertaining Round-up and after an evening of unusual good fellowship and entertainment, the meeting was adjourned until the annual Round-up at the next Credit Congress.

Changes Made At Baltimore Md.

The following announcement was made by Executive Manager Heimann on August 2:

"Effective as of August 1st, upon the request of the Board of Directors of the Baltimore Association, the Service Corporation of the National Association of Credit Men assumes responsibility for the operations of the Baltimore Association and service units.

"Mr. Ira Morningstar, who during his years of loyal service to the Baltimore Association, has made many friends, has resigned. Mr. Norman McKinney has assumed the management of the Baltimore Association. Mr. McKinney, the new manager, has had a very broad business experience extending over a number of years and during the past year has been engaged in field work for the National Association."

Mr. Morningstar is now connected with the F. A. Davis & Sons, 119 South Howard street, Baltimore.

10th Anniversary for Sec. Barbee

Oklahoma City.—Emmett Barbee, secretary-manager of the Oklahoma Wholesale Credit Men's Association, was given a tenth anniversary party by members of the Association at Silver Lake on July 30th. This party celebrated the ten years of service by Mr. Barbee as secretary of the Oklahoma Wholesale Credit Men's Association.

Word received from New Orleans as this issue of the magazine was being put to press told of the severe illness of Charles Cobb, Secretary of the New Orleans Association of Credit Men. Mr. Cobb's daughter, Miss Mildred Cobb, was spending her vacation in New York when word was received of her father's illness, and she immediately returned to New Orleans by plane.

Committees Now at Work at Chicago

Chicago. — President C. L. Bonson of the Chicago Association of Credit Men has already started the program for the new fiscal year with the appointment of chairmen and vice-chairmen of 16 of the most active committees of the Chicago Association. The list of chairmen and vice-chairmen appointed to date is as follows:

Adjustment Bureau and Business Service, L. W. Brigham, chairman, and M. N. Ranseen, vice-chairman.

Banking Relations, Chris M. Smits, chairman, and R. L. Plummer, vice-chairman.

Collection Division, W. F. Mechtel, chairman, and R. A. Carrier, vice-chairman.

Credit Group, W. T. Siddall, chairman, and F. H. Miller, vice-chairman.

Credit Interchange, A. H. Sherbahn, chairman, and I. R. Wagar, vice-chairman.

Credit System and Methods, L. T. Hadley, chairman.

Finance and Audit, A. L. Prodrasnik, chairman.

Foreign Trade, Knud Nielsen, chairman.

Forum, R. A. Carrier, chairman, and J. J. Gannon, vice-chairman.

Legislation and Taxation, I. N. Haskell, chairman.

Meetings, Oscar Iber, chairman, and S. Overstraeten, vice-chairman.

Membership and Membership Service, R. M. Swisher, chairman.

Mercantile Agency, Wiley Jones, chairman.

Publications and Publicity, O. A. Smith, chairman.

Credit Women's Club, Rose C. Schackmann, chairman.

Finland Honors Chicago C Man

Chicago. — K. W. Kohtala, Credit Manager of the Empire Paper Company of this city, has been honored by temporary appointment as Vice Consul of Finland in Chicago. For a number of years, Mr. Kohtala has been active in Finnish civic activities in Chicago and has served as President of the Finnish American Athletic Association. He is a Fellow of the National Institute of Credit and has been very active in the educational work in the Chicago Association for several years.

Field Warehousing *By* Douglas-Guardian

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Typical Commodities Field Warehoused

Alcohol, Canned Goods, Cotton, Cotton products, Soy Beans and products, Coal, Lumber, Hides, Malt, Molasses, Petroleum products, Rice, Clothing, Seeds, Syrup, Steel products, Sugar, Sulphur, Staves, Stoves, Wool, Woolen Goods, Wines, Whiskies, Zinc Slabs and many others.

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COLLATERAL WAREHOUSED ON PREMISES

Are you in need of more working capital? Could you push up the net profit, were you able to take cash discounts, buy more advantageously, and enjoy other privileges that adequate capital makes possible?

Then look into what Field Warehousing by Douglas-Guardian could accomplish toward utilizing part of your inventory, raw or finished, as the basis for borrowing on favorable terms. Setting up and maintaining the Field Warehouse, issuing the warehouse receipts, and releasing the merchandise upon liquidation of same, is handled completely by the Douglas-Guardian organization in a manner pleasing both to the banker and to your executives, and relieving both of the details.

You'll find your bank receptive to the idea. The chairman of one of the largest banks in the country recently made this statement: "By the use of Field Warehousing Receipts and by loaning on the security of assigned accounts, I believe that banks could make many short-term loans to industry, which they are not now making, with safety and profit to themselves."

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It will be a pleasure to go into cases and show you how Field Warehousing would help solve your financial problem.

Through our thirteen strategically located offices, we are in position to give prompt attention to your inquiry, and, if a connection is made, to effect a field warehousing set-up in a prompt and efficient manner.

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Glad to mail you this free booklet, covering the subject of Field Warehousing briefly but comprehensively. Address 100 W. Monroe St., Chicago, or nearest office.

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SPRINGFIELD, MO. 215 Holland Bldg.	SAN FRANCISCO, CAL. 485 California St.	MADISON, WIS. 155 E. Wilson St.	TAMPA, FLA. 416 Tampa St.	CLEVELAND, OHIO Leader Bldg.	LOS ANGELES, CAL. Garfield Bldg.
MEMPHIS, TENN. 106 Porter Bldg.					

Frisco Plans Big Classes in Credits

San Francisco.—The San Francisco Chapter, National Institute of Credit, under the Chairmanship of J. S. Ferns, of Colgate-Palmolive-Peet Co., is preparing to open its Fall Classes on September 13th.

These classes will be conducted in conjunction with the University of California as usual, and will embrace the following courses:

Credits & Collections—Assoc. Prof. Royal A. Roberts.
Basis Economics—Dr. R. D. Calkins.
Public Speaking—Mrs. Guy S. Farrington.
Business Law—Asst. Prof. R. E. Stone.

Plans are also being made for the Second Semester in January which will include classes in Business English, Financial Statement Analysis, Merchandising and Advanced Credits.

The method of handling the Institute Classes in San Francisco has met with fine approval and the coming classes are expected to be well attended.

National President Dan Bosschart is planning on leaving for a visit of the Northwest Association during September. Western Division Manager Owen S. Dibbern will accompany him.

Congratulations to our genial director Don Messer who has gone and forsaken the ranks of bachelorhood.

Congratulations also to Bert Colkett on his election to the position of Ass't Secretary of Fibreboard Products, Inc.

More next month.

Mr. and Mrs. John E. Norvell, Charleston, West Virginia, will celebrate their fiftieth wedding anniversary on October 24th. Mr. Norvell was National President during the fiscal year of 1922-23, having been elected at the national convention held in Indianapolis in 1922. A host of friends in N. A. C. M. circles will join in congratulations and best wishes to "Uncle John" and Mrs. Norvell on this important milestone in their eventful lives.

Quaker City Host to Tri-State Meet

Philadelphia.—The 23rd annual Tri-State Conference will be held on October 21st and 22nd at Hotel Warwick of this city. The conference this year is centering discussions on the daily problems of the credit executive's work. Joseph Rubanow is chairman of a committee preparing the details for the conference. This conference includes credit executives in New York, New Jersey and Eastern Pennsylvania.

Milwaukee Plans ConferenceProgram

Milwaukee.—The 23rd Annual Conference of credit executives from Wisconsin and Northern Michigan will be held in Milwaukee on September 15th at the Pfister Hotel. It is expected that this Conference will draw a large attendance from all over the state and the upper peninsula of Michigan. Executive Manager Henry H. Heimann will be the speaker at the banquet which will close the Conference in the evening.

N. I. C. Course Is Announced At Pittsburgh

Pittsburgh.—A full-fledged National Institute of Credit course will be conducted by the Downtown Branch of Duquesne University this year according to plans just completed by F. C. Young, chairman of the Credit Education Committee of the Credit Association of Western Pennsylvania. Courses in the following subjects are provided: —Economics, Credits and Collections, Fundamentals of Accounting, Business Communication, Business Law, Merchandising, Public Speaking, and Problems of Credit Management. Registration for the Credit Institute courses will be made on September 12th-17th, and the first classes will start on September 20th.

New York Mourns for Edw. V. Evans

New York. — Edward V. Evans, member of the Board of Directors of the New York Credit Men's Association, died early in August at Mountainside Hospital, Montclair, New Jersey. A number of the members of the New York Association attended the funeral services held at St. Paul's Episcopal Church, Hoboken, on August 6th.

Mr. Evans was an executive of the American Can Company and had gained recognition in credit circles for his excellent work both for his own organization and for the New York Association.

N.R.C.A. Ask BrakesUpon Time Sales

The National Retail Credit Association at its twenty-sixth annual Convention held in Pittsburgh on June 21st-24th adopted the following resolution regarding policy on installment sales:

"Whereas, although there has been a tendency throughout the country to adopt sound credit policies in connection with installment sales as recommended in the resolution passed at the Silver Jubilee Convention of the National Retail Credit Association in Spokane a year ago, some merchants continue to advertise easy terms and no down payment. It is recognized that such terms contribute to unprofitable competition which is harmful to the consumer as well as the retailer.

"Therefore, Be It Resolved, that this Association again goes on record as opposing such policies and recommends to Local and State Associations that members be urged to adopt sound policies and to eliminate competition in terms. In addition it is recommended that a complete credit report on every new applicant for credit be procured from a Credit Bureau and that particular attention be paid to past employment as well as prospects of permanence of present employment.

"Be It Further Resolved, that a copy of this resolution be published in local newspapers and bulletins of retail merchants' associations, retail credit associations and credit bureaus."

We are indebted to Arthur H. Hert, Secretary of the National Retail Credit Association, for a copy of this resolution.

Rhode Island Credit Men at Annual Outing

The business thermometer:

Manufacturers:

Manufacturers' sales during July, 1938, declined 24 per cent from last July according to reports from approximately 1,100 manufacturers cooperating in the monthly joint study of the National Association of Credit Men and the Bureau of Foreign and Domestic Commerce.

Total sales of this group of firms during July of this year amounted to 194 million dollars compared with a sales volume of 256 million dollars in July of last year.

The decline in sales is approximately equal to the 23 per cent decrease recorded during the month of June from June, 1937, and was approximately equal to the average falling off in sales recorded during the first half of this year compared with the same period of 1937.

Without adjustment for seasonal factors there was a decline of 2 per cent for sales from June to July of this year.

Each industry group for which data are separately shown registered a decline in sales from last year during July. Manufacturers of Rubber Products showed the best relative sales performance, sales for this group declining 3 per cent on this comparison. Sharp decreases were recorded by manufacturers of Motor-Vehicle Parts, whose sales volume declined 51 per cent, and manufacturers of Iron and Steel and Their Products, sales for this group decreasing 49 per cent from last July.

Collections during July amounted to 72 per cent of the total volume of accounts receivable outstanding on the first of the month. Comparable ratios were 77 per cent for July, 1937, and 74 per cent for June, 1938.

The decrease in the collection rate for all industrial groups combined was influenced to a considerable degree by larger than average declines in the Iron and Steel Products and Machinery groups. These two groups contributed a large proportion of the total volume of accounts receivable and collections together with sharp decreases in the rate of collections.

Several industries reported improved collection conditions over last July. The collection ratio for manufacturers of Foods and Kindred Products was 108 per cent during July, 1938, as compared with 104 per cent during July, 1937. Corresponding ratios for manufacturers of Rubber Products were 64 per cent compared with 59 per cent and for manufacturers of Stone, Clay and Glass Products 80 per cent compared with 78 per cent.

Wholesalers:

The dollar volume of wholesale trade declined 18 per cent during July as compared with July, 1937, according to reports from 2,260 wholesalers cooperating in the monthly joint study of the National Association of Credit Men and the Bureau of Foreign and Domestic Commerce.

Total sales of the reporting group during July, 1938, amounted to 166 million dollars as compared with 202 million dollars in July of last year.

The 18 per cent decline from last

MANUFACTURERS' sales and collections on accounts receivable, July 1938

Industry	Dollar Sales: Number of firms reporting sales	Dollar Sales: Percent change July 1938 from July 1938	Dollar Sales: Percent change July 1938 from June 1938	Dollar Sales: July 1938 (000's)	Number of firms reporting credit data	Collection Percentages*: July 1938	Collection Percentages*: July 1937	Collection Percentages*: June 1938	Total Accounts Receivable: Percent change July 1, 1938 from July 1, 1937	Total Accounts Receivable: Percent change July 1, 1938 from June 1, 1938	Total Accounts Receivable: As of July 1, 1938 (000's)
Food and kindred products, total	390	—13.4	—10.6	$30,339	113	108	104	110	—19.0	+ 0.5	$16,137
Confectionery	272	—11.9	—19.6	11,093	10	109	117	124	— 2.9	—11.6	908
Flour, cereals and other grain mill products	12	— 9.0	—14.7	3,762	11	143	142	151	—19.9	— 3.7	785
Meat packing	9	—17.0	+ 3.5	2,130	8	190	183	174	—20.0	— 1.0	1,085
Wine	35	— 1.6	— 5.6	756	26	44	51	52	— 7.9	— 4.9	1,636
Other food products	62	—15.8	— 2.1	12,598	58	107	100	108	—21.1	+ 2.9	11,723
Textiles and their products, total	66	—29.5	— 7.5	8,248	64	59	63	64	—26.5	— 6.3	14,677
Clothing, men's, except hats	15	—39.0	+13.5	1,263	15	37	47	42	—17.4	— 7.7	3,883
Clothing, women's, except millinery	12	—11.7	—33.5	437	12	79	75	80	—12.7	—17.1	757
Knit goods	10	—15.4	—11.2	1,358	10	71	76	66	—21.5	—12.4	2,246
Other textile products	29	—31.0	— 7.7	5,190	27	65	65	73	—32.5	— 2.3	7,791
Forest products, total	40	—29.6	+ 0.5	2,122	37	59	62	62	—35.4	— 5.6	3,132
Furniture	25	—30.8	+ 4.3	1,484	24	57	58	59	—39.0	— 6.9	2,363
Lumber, timber, and other miscellaneous forest products	15	—26.5	— 7.3	638	13	66	79	72	—20.9	— 1.4	769
Paper and allied products, total	72	—21.3	— 2.4	10,182	64	71	76	74	—18.4	— 5.3	13,185
Paper, writing, book, etc.	14	— 9.4	+ 6.5	4,774	11	98	94	103	—12.4	+ 1.8	4,128
Paper, boxes and other paper products	37	—29.9	— 5.0	5,065	33	90	92	94	—31.9	+ 0.9	4,970
Wall paper	21	—21.5	—44.1	343	20	21	27	31	— 1.3	—17.4	4,087
Printing, publishing and allied industries	7	—18.6	— 3.0	393	7	50	52	52	— 6.4	+10.0	717
Chemicals and allied products, total	50	—18.6	+ 2.6	11,786	45	80	85	76	—16.4	— 7.3	13,910
Paints and varnishes	18	—28.3	—14.6	2,117	18	52	58	54	—15.4	— 4.0	4,616
Pharmaceuticals and proprietary medicines	15	— 2.6	— 2.5	1,550	13	69	70	69	— 1.3	+ 1.6	2,160
Other chemical products	17	—18.3	+ 9.4	8,119	14	101	106	92	—20.7	—11.6	7,134
Petroleum products	14	— 9.5	+ 3.8	44,775	12	111	115	112	— 7.6	— 2.9	24,640
Rubber products	10	— 3.3	+ 4.8	2,832	9	64	59	57	—28.0	— 9.7	4,162
Leather and its products, total	93	—11.1	+16.7	20,662	82	53	57	56	—17.5	—10.2	33,495
Boots and shoes	32	—10.5	+27.5	14,080	30	47	51	50	—15.0	—14.8	26,219
Leather: tanned, curried and finished	38	—10.8	— 1.1	6,098	34	73	75	83	—24.5	+14.0	6,760
Other leather products	23	—26.8	— 2.0	484	18	86	85	90	—35.7	—14.1	516
Stone, clay and glass products	33	—24.0	— 9.5	6,573	28	80	78	82	—25.5	+ 2.4	8,201
Iron and steel and their products, total	74	—49.1	— 8.2	21,319	69	74	87	86	—35.8	+17.4	28,385
Hardware	17	—20.3	+14.9	2,969	16	77	79	78	—31.4	+ 8.1	3,165
Stoves, ranges, steam heating apparatus	12	—33.7	+ 4.9	1,568	12	67	74	72	—32.1	+ 8.8	2,183
Other iron and steel products	45	—53.1	—12.3	16,782	41	75	89	89	—36.7	+19.7	23,037
Non-ferrous metals and their products, total	37	—37.5	— 5.3	5,278	35	56	72	55	—22.3	— 1.3	9,893
Jewelry and jewelers' supplies	25	—23.6	—21.0	1,402	24	45	49	41	—12.8	— 2.8	4,131
Machinery, not including transportation equipment, total	144	—31.0	— 6.0	23,546	124	51	62	53	—23.2	+ 3.3	31,973
Electrical machinery, apparatus and supplies	80	—28.4	— 1.9	15,540	68	50	61	52	—19.5	+ 5.2	23,956
Other machinery, apparatus and supplies	64	—35.6	—13.2	8,006	56	53	64	56	—32.4	— 2.1	8,017
Motor-vehicle parts	38	—51.3	—10.5	2,689	34	72	83	72	—42.8	— 1.0	3,804
Miscellaneous industries	37	—18.1	— 6.4	3,284	31	55	58	57	—17.6	— 3.0	5,600
Total	1,105	—24.2	— 2.1	194,028	754	72	77	74	—22.8	— 1.3	211,911

*Collection percentages represent the percent of total dollar collections reported to the total of accounts receivable reported by the same firms.

July was somewhat more unfavorable than the average monthly declines recorded in previous months of 1938. It exceeded the 15 per cent sales decrease registered during the first half of 1938 as compared with the same period of last year. The only month during which a larger sales decline was recorded was April when sales were down 18½ per cent from April, 1937.

Considerable variation in the percentage changes in sales from last July was manifested among the various lines of wholesale trade shown separately. Wholesalers of Meats and Meat Products showed a 2 per cent gain in sales from July of last year. All other lines of wholesale trade registered decreases from last July, declines ranging from 1 per cent decreases for both Petroleum and Leather and Shoe Findings wholesalers to a decrease of 42 per cent recorded by distributors of Clothing and Furnishings, except Shoes.

The cost value of stocks at the end of July, 1938, remained well below the level at the end of July, 1937, according to 1,300 wholesalers reporting data on this item separately. Inventories on July 31, of this year, were 16 per cent below the same date of 1937. At the end of June the value of stocks in wholesalers' hands was 17 per cent below the same date last year. A slight increase of 1 per cent in the value of wholesalers' holdings was recorded from the end of June to the end of July of this year.

WHOLESALERS' sales and inventories, July 1938

Kind of Business	Dollar Sales				End of Month Inventories (Cost)				Stock-Sales Ratios#		
	Number of firms reporting sales	Percent change July 1938 from		July 1938 (000's)	Number of firms reporting stocks	Percent change July 1938 from		July 31, 1938 (000's)	July 1938	July 1937	June 1938
		July 1937	June 1938			July 1937	June 1938				
Automotive supplies	127	− 8.9	− 1.5	$2,144	53	− 7.0	− 1.0	$2,596	303	274	299
Clothing and furnishings, except shoes	17	−41.7	− 3.7	526	—	—	—	—	—	—	—
Shoes and other footwear	31	−16.3	+ 9.9	9,452	19	−24.0	+16.0	7,173	149	205	165
Drugs and drug sundries##	125	−10.7	−12.8	16,236	93	− 8.5	+ 4.6	29,530	244	234	198
Dry goods	87	−25.6	+ 3.2	7,882	57	−31.8	+ 6.1	24,516	400	431	383
Electrical goods	311	−36.2	− 6.3	14,449	252	−23.1	− 6.0	16,547	134	112	136
Farm products (consumer goods)	21	−15.2	+ 0.5	2,219	11	− 1.6	+ 7.9	630	74	63	65
Furniture and house furnishings	32	−26.7	−21.9	1,697	10	−28.8	− 2.4	2,439	349	324	257
Groceries and foods, except farm products	633	−12.3	− 4.5	50,280	326	− 7.7	+ 1.9	48,624	167	159	155
Meats and meat products	16	+ 1.7	+12.6	9,058	9	+ 0.8	− 2.3	381	59	46	56
Total hardware group	430	−24.9	− 8.5	26,689	275	−16.4	− 1.1	58,151	312	277	290
General hardware	173	−24.1	−10.2	18,022	107	−18.7	− 1.3	42,909	330	303	300
Heavy hardware	22	−28.4	−10.3	988	16	+ 0.3	− 1.1	3,039	353	247	315
Industrial supplies*	126	−26.1	+ 0.8	4,277	81	−10.0	− 0.5	8,415	278	223	292
Plumbing and Heating supplies	109	−26.3	− 9.1	3,402	71	−13.9	− 0.1	3,788	212	197	197
Jewelry and optical goods	52	−30.2	−15.2	992	27	−18.0	+ 3.4	3,025	578	502	496
Leather and shoe findings	11	− 0.7	− 9.5	286	—	—	—	—	—	—	—
Lumber and building materials	18	−27.8	− 7.2	916	13	−12.4	+ 0.1	1,343	197	158	178
Machinery, equipment and supplies, except electrical	19	−33.3	−16.9	1,421	10	− 5.6	− 4.2	3,115	358	221	306
Metals	8	−18.8	− 1.8	332	4	+ 4.8	+ 0.4	563	348	243	330
Paints and varnishes	7	−18.8	− 5.6	1,478	—	—	—	—	—	—	—
Paper and its products	49	−19.1	− 0.8	2,616	22	−17.6	+ 1.6	2,856	211	199	204
Petroleum	5	− 0.8	+10.2	3,104	—	—	—	—	—	—	—
Surgical equipment and supplies	49	− 3.3	+ 1.2	760	31	− 6.1	− 0.3	1,162	213	223	216
Tobacco and its products	187	− 7.7	− 2.7	11,048	65	− 6.5	+ 0.5	2,531	52	51	52
Miscellaneous	25	−25.2	− 8.9	2,030	25	− 5.4	+ 0.9	7,849	212	193	214
Total	2,260	−18.0	− 4.3	165,615	1,302	−16.0	+ 1.4	213,031	215	205	201

*This heading also includes distributors of mill, mine and steam supplies.
—Insufficient data to show separately.
#These Stock-Sales Ratios are percentages obtained by dividing Stocks by Sales for an identical group of firms.
##Total Sales, including liquors, wines, etc.

WHOLESALERS' accounts receivable and collections, July 1938

Kind of Business	Number of firms reporting	Collection Percentages*			Total Accounts Receivable		
		July 1938	July 1937	June 1938	Percent change July 1, 1938 from		As of July 1, 1938 (000's)
					July 1, 1937	June 1, 1938	
Automotive supplies	98	59	62	59	− 3.9	+ 5.9	$2,335
Clothing and furnishings, except shoes	17	48	50	48	− 5.5	−20.7	1,754
Shoes and other footwear	26	42	43	48	−13.3	−21.3	7,951
Drugs and drug sundries	109	67	73	71	+ 2.2	+ 2.7	21,836
Dry goods	81	43	43	45	−19.9	− 5.4	17,409
Electrical goods	276	66	79	69	−23.9	− 4.6	20,134
Farm products (consumer goods)	18	125	135	135	− 5.2	+ 4.1	1,107
Furniture and house furnishings	29	54	56	52	−26.2	−11.8	3,524
Groceries and foods, except farm products	479	96	103	98	− 4.8	+ 2.8	41,682
Meats and meat products	14	211	209	186	+ 0.7	− 0.1	4,315
Total hardware group	397	51	56	53	−14.7	+ 1.4	49,491
General hardware	158	49	53	52	−13.1	− 0.8	34,986
Heavy hardware	22	63	68	66	−30.4	− 3.4	1,615
Industrial supplies**	113	52	61	56	−16.2	+11.7	6,831
Plumbing and heating supplies	104	57	62	57	−16.7	+ 5.0	6,059
Jewelry and optical goods	42	26	33	24	− 9.5	− 5.8	3,598
Leather and shoe findings	11	53	55	50	− 5.6	− 2.5	555
Lumber and building materials	18	66	66	67	−24.8	+ 1.8	1,303
Machinery, equipment and supplies, except electrical	17	48	62	48	− 4.9	+ 0.6	2,861
Metals	6	69	70	68	−17.9	+ 2.0	404
Paints and varnishes	7	62	64	63	−12.5	+ 1.4	2,485
Paper and its products	41	63	66	68	−19.0	− 1.7	3,363
Surgical equipment and supplies	46	43	45	42	− 5.6	+ 1.2	1,512
Tobacco and its products	109	113	125	115	+ 4.6	+ 2.9	5,503
Miscellaneous	26	68	78	72	− 5.9	− 4.8	5,571
Total	1,867	69	73	70	−11.5	− 1.4	198,693

*Collection percentages represent the percent of total dollar collections reported to the total of accounts receivable reported by the same firms.
**This heading also includes distributors of mill, mine and steam supplies.

WHOLESALERS' sales and inventories, by geographic regions, July 1938

Kind of Business and Region	Dollar Sales: Number of firms reporting sales	Dollar Sales: Percent change July 1938 from July 1937	Dollar Sales: Percent change July 1938 from June 1938	Dollar Sales: July 1938 (000's)	End of Month Inventories (Cost): Number of firms reporting stocks	End of Month Inventories: Percent change July 1938 from July 1937	End of Month Inventories: Percent change July 1938 from June 1938	End of Month Inventories: July 31, 1938 (000's)	Stock-Sales Ratios♯: July 1938	Stock-Sales Ratios♯: July 1937	Stock-Sales Ratios♯: June 1938
New England	127	−19.3	− 6.2	$7,068	70	−11.5	+ 1.7	$6,075	157	139	146
Electrical goods	31	−33.8	−11.5	1,044	24	−26.8	+ 1.1	1,017	131	118	117
Groceries and foods, except farm products	21	−14.1	− 7.1	1,893	8	− 2.5	+ 3.2	913	158	137	151
General hardware	6	−31.0	−18.5	211	—	—	—	—	—	—	—
Heavy hardware	4	−38.7	− 5.0	57	4	−11.1	− 1.6	304	533	368	515
Industrial supplies*	15	−29.1	−11.3	251	9	+ 8.9	− 3.7	539	341	232	315
Plumbing and heating supplies	10	−17.8	+ 5.5	267	5	−14.3	− 0.4	472	243	235	274
Tobacco and its products	16	− 6.9	+ 1.6	1,545	7	+ 2.9	+ 0.5	385	37	34	39
Middle Atlantic	456	−18.6	− 4.9	32,227	251	−16.4	+ 0.1	26,655	185	171	167
Automotive supplies	10	−20.3	+ 9.8	157	—	—	—	—	—	—	—
Clothing and furnishings, except shoes	6	−48.4	−12.6	347	—	—	—	—	—	—	—
Shoes and other footwear	9	−17.6	−27.8	421	4	−20.2	+16.5	1,262	415	437	297
Drugs and drug sundries	21	− 8.7	−10.3	3,558	17	−11.8	+ 1.3	4,182	173	176	149
Dry goods	17	−28.8	+ 2.9	1,037	11	−21.7	+ 4.1	1,912	389	356	293
Electrical goods	62	−44.4	− 6.5	2,534	51	−37.1	−10.1	2,707	118	103	125
Farm products (consumer goods)	6	−16.7	+ 5.7	1,039	—	—	—	—	—	—	—
Groceries and foods, except farm products	95	−12.1	− 3.0	11,511	37	− 3.4	+ 2.4	6,220	158	142	134
Meats and meat products	4	− 7.6	− 1.1	3,426	—	—	—	—	—	—	—
General hardware	29	−14.2	−14.1	1,518	12	−15.5	− 2.4	2,038	353	350	313
Heavy hardware	9	−19.4	− 8.4	337	6	− 2.0	− 0.9	908	328	264	294
Industrial supplies*	37	−33.9	+ 0.5	969	24	−20.7	− 1.8	1,983	275	222	288
Plumbing and heating supplies	43	−23.1	− 9.4	1,090	32	−14.5	0.0	1,520	213	206	189
Jewelry and optical goods	19	−35.0	− 9.2	355	10	−20.1	+ 1.8	1,383	571	487	494
Lumber and building materials	7	−25.4	− 0.4	247	—	—	—	—	—	—	—
Paper and its products	15	−16.8	− 5.8	968	6	−25.3	− 0.5	969	162	176	155
Surgical equipment and supplies	11	+ 3.6	− 1.7	114	9	− 9.2	− 1.5	197	219	261	220
Tobacco and its products	43	−11.4	− 2.2	2,371	19	− 8.2	− 5.4	732	58	58	63
East North Central	408	−24.5	− 6.8	28,832	235	−17.4	+ 0.4	40,073	218	192	201
Automotive supplies	33	−18.4	+ 0.7	429	18	− 2.2	+ 3.0	795	341	274	336
Clothing and furnishings, except shoes	4	−22.7	+30.8	102	—	—	—	—	—	—	—
Drugs and drug sundries	21	−13.8	− 9.4	2,589	14	−12.2	+ 2.2	3,704	195	189	167
Dry goods	9	−29.3	−18.8	649	7	−29.7	+ 4.7	1,903	314	318	245
Electrical goods	58	−44.6	−10.0	3,133	44	−23.6	− 5.5	3,524	154	117	156
Groceries and foods, except farm products	99	−15.3	− 6.7	9,212	51	− 7.7	+ 1.1	9,819	173	157	158
General hardware	25	−30.2	−11.2	4,290	20	−25.7	− 0.8	12,123	306	287	273
Industrial supplies*	26	−50.4	− 6.4	875	20	−11.8	− 0.9	2,756	374	208	355
Plumbing and heating supplies	12	−35.6	− 6.9	402	6	− 8.0	− 4.9	173	177	129	177
Jewelry and optical goods	18	−33.5	−20.2	364	9	−23.0	+ 4.9	1,046	634	599	528
Lumber and building materials	4	−22.3	− 5.7	199	—	—	—	—	—	—	—
Metals	5	−15.6	+ 0.4	286	—	—	—	—	—	—	—
Paper and its products	12	−28.8	− 2.7	722	7	−26.0	+ 5.8	511	189	156	162
Surgical equipment and supplies	8	− 5.2	− 1.3	237	4	−17.7	− 0.8	246	136	163	139
Tobacco and its products	52	− 5.7	− 1.9	3,316	14	− 7.9	+ 6.6	725	53	50	49
West North Central	271	− 9.3	− 0.2	29,306	180	−22.9	+ 0.8	47,565	229	256	219
Automotive supplies	13	+ 0.3	− 5.2	400	—	—	—	—	—	—	—
Clothing and furnishings, except shoes	5	−30.1	+15.9	51	—	—	—	—	—	—	—
Shoes and other footwear	5	+17.9	+38.5	3,831	—	—	—	—	—	—	—
Drugs and drug sundries	14	− 7.6	−17.6	2,066	13	− 4.8	+ 5.4	4,258	241	233	185
Dry goods	8	−24.9	+11.5	2,791	7	−35.3	+ 2.5	12,062	443	517	480
Electrical goods	32	−21.3	− 8.9	1,594	28	−22.7	− 5.9	1,632	113	113	109
Furniture and house furnishings	8	−27.2	−30.9	779	4	−35.1	− 3.9	1,781	380	384	260
Groceries and foods, except farm products	92	−14.4	−13.0	5,977	66	−11.2	+ 0.6	8,901	177	170	155
General hardware	16	−21.4	−12.5	3,447	15	−22.0	− 2.5	9,599	287	289	259
Heavy hardware	5	−18.5	− 5.4	88	—	—	—	—	—	—	—
Industrial supplies*	13	−18.2	−15.4	378	7	−10.0	− 2.2	405	164	151	129
Plumbing and heating supplies	11	−20.9	− 7.0	317	5	−15.7	− 1.8	541	289	247	290
Jewelry and optical goods	6	−13.6	− 7.3	76	4	− 6.5	+ 5.3	217	603	552	572
Surgical equipment and supplies	6	− 2.9	+ 6.3	68	—	—	—	—	—	—	—
Tobacco and its products	15	− 7.7	− 5.3	649	7	−19.1	− 0.7	152	51	58	47
South Atlantic	309	−18.7	− 2.0	14,827	163	−13.4	+ 4.5	17,433	197	181	186
Automotive supplies	4	−13.4	+ 7.6	142	—	—	—	—	—	—	—
Shoes and other footwear	5	−27.6	+30.3	650	4	−33.4	+57.1	1,571	245	269	204
Drugs and drug sundries	27	− 8.7	− 6.0	1,882	17	+ 1.0	+ 3.8	3,782	291	262	259
Dry goods	12	−24.6	+ 0.2	600	6	−40.8	+ 7.9	1,166	447	517	419
Electrical goods	49	−32.2	+ 1.3	1,933	39	−14.6	− 4.1	2,209	131	104	136
Furniture and house furnishings	4	−27.4	−20.0	156	—	—	—	—	—	—	—
Groceries and foods, except farm products	101	−17.6	− 3.6	4,061	32	−18.7	− 2.7	2,363	146	142	141
General hardware	30	−24.9	− 3.9	1,373	16	− 3.2	+ 2.5	2,928	419	310	382
Industrial supplies*	13	−29.5	− 8.9	246	8	− 4.8	− 2.4	538	288	205	262
Plumbing and heating supplies	21	− 9.6	− 7.9	719	16	− 9.8	+ 2.4	733	181	181	165
Paper and its products	6	−10.0	+ 6.5	278	—	—	—	—	—	—	—
Surgical equipment and supplies	5	−21.3	− 4.0	48	4	+11.8	+ 1.3	76	190	139	188
Tobacco and its products	21	−10.4	− 5.0	1,022	8	+10.1	+10.1	153	65	59	58
East South Central	141	−20.0	− 2.8	7,099	65	−18.7	+ 2.6	8,489	231	221	222
Drugs and drug sundries	10	−13.1	−10.8	636	5	−11.1	+ 1.7	1,077	271	252	228
Dry goods	13	−25.2	+ 9.7	836	7	−34.5	+ 8.5	2,196	341	375	342
Electrical goods	13	−27.9	+ 2.1	387	12	− 4.0	− 4.2	480	131	101	137
Groceries and foods, except farm products	64	−15.9	− 3.1	2,915	22	− 7.1	+ 3.2	1,798	149	134	141
General hardware	17	−23.6	− 2.2	1,574	9	−14.7	− 0.3	2,236	324	282	326
Industrial supplies*	5	−26.9	0.0	144	—	—	—	—	—	—	—
Tobacco and its products	4	−12.6	− 2.4	83	—	—	—	—	—	—	—
West South Central	205	−11.8	− 0.4	14,654	142	− 9.3	+ 3.5	26,635	234	225	228
Drugs and drug sundries	17	− 6.3	− 6.2	1,904	14	+ 0.1	+ 3.2	5,239	298	281	271
Dry goods	13	−27.3	+ 7.4	1,191	12	−25.3	+15.7	4,012	375	360	337
Electrical goods	20	−28.5	+ 0.7	854	14	−17.5	− 8.4	789	112	96	124
Groceries and foods, except farm products	94	− 7.8	+ 0.7	6,594	69	− 6.9	+ 3.7	8,898	165	164	164
General hardware	20	−19.6	− 8.0	1,726	14	−10.6	− 1.0	3,649	344	308	323
Industrial supplies*	6	+31.1	+23.7	1,133	4	− 1.6	+ 4.1	1,642	212	326	306
Machinery, equipment and supplies, except electrical	4	−48.9	−34.6	317	—	—	—	—	—	—	—
Surgical equipment and supplies	4	+ 9.4	+ 6.1	35	—	—	—	—	—	—	—
Tobacco and its products	11	+ 1.5	+ 3.9	343	—	—	—	—	—	—	—
Mountain	92	−11.9	− 2.0	7,180	62	−11.2	− 1.3	9,191	179	175	179
Automotive supplies	4	+13.0	+10.6	52	—	—	—	—	—	—	—
Electrical goods	13	−23.2	− 0.2	551	10	−17.5	−16.1	506	100	91	118
Groceries and foods, except farm products	35	− 0.4	+ 3.4	3,148	25	−12.9	− 0.1	3,768	153	180	160
General hardware	10	−27.7	− 6.0	951	7	−10.2	− 2.1	2,070	363	283	349
Tobacco and its products	4	+ 5.4	+15.3	331	—	—	—	—	—	—	—
Pacific	250	−19.1	− 9.9	20,676	134	− 9.7	+ 2.0	30,915	247	217	217
Automotive supplies	56	− 6.0	− 4.9	808	21	− 7.6	− 4.2	1,237	280	274	280
Shoes and other footwear	5	−33.8	− 5.1	94	4	−20.8	− 1.1	351	408	333	382
Drugs and drug sundries	5	−17.9	−22.9	2,181	4	−18.9	+11.4	4,988	321	313	205
Dry goods	12	−21.7	− 8.5	713	6	−15.0	+12.9	1,166	382	341	341
Electrical goods	33	−31.6	− 7.2	2,419	30	−17.4	− 4.6	3,683	163	132	156
Farm products (consumer goods)	5	−12.4	− 4.6	664	—	—	—	—	—	—	—
Furniture and house furnishings	9	−20.1	− 9.0	414	—	—	—	—	—	—	—
Groceries and foods, except farm products	32	− 9.3	− 3.9	4,969	16	+ 0.6	+ 4.9	5,944	186	167	170
Meats and meat products	4	−26.7	−17.4	447	—	—	—	—	—	—	—
General hardware	20	−22.5	−12.7	2,932	11	−15.2	− 1.6	7,517	389	348	349
Industrial supplies*	9	−15.7	− 0.4	231	6	+ 3.8	0.0	330	262	195	295
Plumbing and heating supplies	8	−42.8	−19.7	444	4	−21.2	− 0.7	152	197	180	180
Jewelry and optical goods	4	−26.2	−11.4	62	—	—	—	—	—	—	—
Paper and its products	6	−24.3	+ 1.0	203	—	—	—	—	—	—	—
Surgical equipment and supplies	9	− 1.9	+ 4.1	151	7	− 3.3	− 0.5	414	354	351	375
Tobacco and its products	21	− 9.2	−11.4	1,388	7	−10.1	− 2.3	338	81	94	74

*This heading also includes distributors of mill, mine and steam supplies. **Insufficient data to show separately.
♯These Stock-Sales Ratios are percentages obtained by dividing Stocks by Sales for an identical group of firms.

WHOLESALERS' accounts receivable and collections, by geographic regions, July 1938

Kind of Business and Region	Number of firms reporting	Collection Percentages*			Total Accounts Receivable		
		July, 1938	July, 1937	June, 1938	Percent change July 1, 1938 from		As of July 1, 1938 (000's)
					July 1, 1937	June 1, 1938	
New England	106	62	69	65	−11.8	+ 0.7	$8,538
Electrical goods	29	70	77	79	−30.0	− 3.3	1,501
Groceries and foods, except farm products	15	68	75	70	− 3.8	+10.0	2,399
General hardware	6	52	61	55	−13.5	− 9.4	508
Heavy hardware	4	57	64	58	−28.0	− 6.4	103
Industrial supplies**	12	50	61	51	−15.0	− 0.9	329
Plumbing and heating supplies	9	49	52	58	−15.6	+ 5.9	445
Tobacco and its products	10	105	128	106	+ 9.7	+ 3.8	327
Middle Atlantic	394	76	81	76	−14.2	− 2.4	37,359
Automotive supplies	9	42	48	43	− 9.8	− 0.7	267
Clothing and furnishings, except shoes	6	50	52	50	− 6.8	−22.6	1,331
Shoes and other footwear	8	41	42	48	−12.6	−21.1	1,333
Drugs and drug sundries	20	62	64	63	0.0	+ 3.8	5,166
Dry goods	15	43	49	48	−24.7	+ 2.4	2,035
Electrical goods	59	69	82	73	−36.7	− 6.5	3,644
Farm products (consumer goods)	6	112	127	122	− 3.8	+11.4	557
Groceries and foods, except farm products	79	107	112	104	− 9.9	− 0.4	9,017
General hardware	25	48	51	50	− 8.5	− 5.8	3,006
Heavy hardware	9	65	67	64	−18.3	− 4.4	521
Industrial supplies**	34	51	63	54	−25.8	− 1.8	1,622
Plumbing and heating supplies	41	50	58	53	−14.6	+ 2.4	2,147
Jewelry and optical goods	15	22	30	23	−15.4	− 2.9	737
Lumber and building materials	7	60	57	56	−24.6	− 0.5	408
Paper and its products	11	58	64	64	−20.2	+ 1.9	1,300
Surgical equipment and supplies	11	29	34	29	− 0.9	+ 2.9	315
Tobacco and its products	24	120	137	118	+ 1.4	− 1.2	1,366
East North Central	342	69	76	71	−14.1	− 1.2	35,986
Automotive supplies	30	74	70	62	− 9.1	− 0.7	449
Clothing and furnishings, except shoes	4	55	58	57	− 9.4	−18.4	155
Drugs and drug sundries	17	79	87	81	− 2.0	− 0.8	2,844
Dry goods	9	44	51	46	−12.4	− 5.2	1,657
Electrical goods	48	56	70	60	−21.5	− 5.6	5,089
Groceries and foods, except farm products	76	94	102	98	− 6.3	+ 1.9	7,696
General hardware	24	53	60	57	−15.2	− 0.5	8,218
Industrial supplies**	26	64	75	64	−39.8	− 0.2	1,373
Plumbing and heating supplies	11	61	67	62	−26.2	+ 2.5	626
Jewelry and optical goods	15	30	37	25	−10.9	− 5.3	1,895
Lumber and building materials	4	75	70	79	−27.7	− 1.4	217
Paper and its products	12	72	71	77	−26.8	− 6.6	970
Metals	4	70	68	67	−16.4	+ 2.8	363
Surgical equipment and supplies	7	51	59	50	+13.5	+ 1.4	370
Tobacco and its products	34	123	129	124	+ 1.7	+ 3.5	1,838
West North Central	226	72	72	71	−11.0	− 7.1	36,833
Automotive supplies	10	52	66	55	+19.7	+23.0	529
Clothing and furnishings, except shoes	5	28	28	30	+ 2.7	−12.3	228
Shoes and other footwear	5	45	43	49	−18.5	−26.8	4,419
Drugs and drug sundries	14	75	80	81	+ 4.7	+ 3.3	3,005
Dry goods	8	49	44	50	−26.0	− 8.0	5,531
Electrical goods	30	61	80	63	+ 4.8	− 3.7	2,681
Furniture and house furnishings	8	57	58	52	−23.7	−19.2	1,853
Groceries and foods, except farm products	69	109	121	124	− 2.2	+ 6.4	4,583
General hardware	16	49	53	51	−10.6	− 2.6	7,365
Heavy hardware	5	61	66	63	− 4.1	+ 6.8	142
Industrial supplies**	11	55	54	59	−21.6	+ 4.2	566
Plumbing and heating supplies	11	53	57	53	− 4.5	+ 6.3	641
Jewelry and optical goods	5	43	52	44	− 3.9	− 8.7	146
Surgical equipment and supplies	6	44	45	42	− 3.9	+ 0.7	146
Tobacco and its products	4	175	200	182	+17.4	+ 2.2	142
South Atlantic	230	62	68	66	−12.8	− 1.2	16,120
Drugs and drug sundries	24	71	80	75	+ 5.2	+ 1.3	2,285
Dry goods	9	36	38	41	−16.0	− 5.1	1,279
Electrical goods	40	72	80	77	−32.4	− 6.0	2,145
Groceries and foods, except farm products	62	88	99	93	− 7.3	+ 3.3	2,645
General hardware	29	39	43	43	−15.1	− 1.6	3,151
Industrial supplies**	10	50	62	54	−15.9	+ 1.6	438
Plumbing and heating supplies	20	62	59	58	− 3.1	+ 7.9	1,251
Paper and its products	4	55	67	62	−14.7	−11.0	290
Surgical equipment and supplies	5	62	58	55	−24.7	0.0	73
Tobacco and its products	11	87	89	88	− 5.3	+ 0.8	520
East South Central	108	56	59	59	−13.3	+ 1.3	10,453
Drugs and drug sundries	7	61	60	64	−15.8	+ 0.7	832
Dry goods	13	36	37	36	−14.5	− 6.3	2,218
Electrical goods	11	77	89	76	−28.5	+ 3.5	409
Groceries and foods, except farm products	46	84	91	90	− 9.0	+ 2.8	2,702
General hardware	13	45	47	50	−13.5	+ 5.6	2,756
Industrial supplies**	4	47	53	86	−26.6	− 1.5	260
West South Central	177	63	66	64	− 2.2	+ 2.8	19,261
Drugs and drug sundries	15	68	74	67	+ 7.9	+ 2.2	2,786
Dry goods	13	36	33	34	−14.9	− 4.0	3,286
Electrical goods	16	71	93	76	−15.1	−10.7	872
Groceries and foods, except farm products	81	94	96	97	− 6.6	+ 0.8	5,754
General hardware	19	50	51	51	− 6.3	− 0.2	2,844
Industrial supplies**	5	43	39	41	+47.1	+66.1	1,792
Tobacco and its products	7	110	104	107	+ 9.3	− 3.5	82
Mountain	75	76	79	72	− 6.8	+ 4.1	7,278
Electrical goods	13	79	90	77	−17.1	− 5.6	711
Groceries and foods, except farm products	27	91	88	82	+ 4.6	+ 6.9	3,044
General hardware	8	52	56	51	−12.4	+ 2.5	1,197
Pacific	209	69	74	71	−10.6	+ 2.3	26,865
Automotive supplies	39	62	61	64	−10.8	+ 3.3	930
Shoes and other footwear	4	42	42	45	− 8.4	−12.7	283
Dry goods	11	59	58	59	−18.1	− 8.1	1,260
Electrical goods	30	71	81	73	−20.8	+ 0.7	3,082
Farm products (consumer goods)	5	149	169	165	+ 1.4	+ 1.7	356
Furniture and house furnishings	9	54	56	52	−24.5	+ 1.5	896
Groceries and foods, except farm products	24	95	107	99	+10.0	+ 4.2	3,842
General hardware	18	52	55	52	−17.0	+ 1.4	5,941
Industrial supplies**	9	53	60	56	− 6.7	+ 2.2	375
Plumbing and heating supplies	8	73	79	73	−32.6	+12.2	698
Paper and its products	5	53	58	60	− 8.1	+ 5.0	274
Jewelry and optical goods	4	14	17	12	− 6.3	−10.3	479
Surgical equipment and supplies	9	39	38	42	−14.5	+ 3.3	348
Tobacco and its products	17	96	117	103	+17.2	+ 8.7	1,168

*Collection percentages represent the percent of total dollar collections reported to the total of accounts receivable reported by the same firms.
**This heading also includes distributors of mill, mine and steam supplies.
STATES COMPRISING REGIONS: New England—(Conn., Me., Mass., N. H., R. I., Vt.); Middle Atlantic—(N. J., N. Y., Pa.); East North Central—(Ill., Ind., Mich., Ohio, Wisc.); West North Central—(Iowa, Kans., Minn., Mo., Nebr., N. Dak., S. Dak.); South Atlantic—(Del., D. C., Fla., Ga., Md., N. Car., S. Car., Va., W. Va.); East South Central—(Ala., Ky., Miss., Tenn.); West South Central—(Ark., La., Okla., Texas); Mountain—(Ariz., Colo., Idaho, Mont., Nev., N. Mex., Utah, Wyo.); Pacific—(Cal. Ore., Wash.).